



**St Albans**  
City & District Council

# **Statement of Accounts 2015/2016**

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# Narrative Report

## 1. Introduction

We present the Statement of Accounts for St Albans City and District Council for 2015/2016.

St Albans City and District Council is a District Council in Hertfordshire in England with a population of 140,000. The Corporate Plan sets out the Council's aims and priorities for the next five years. Within the plan our vision and commitments provide direction for our work in that it ensures that we focus on activities that will achieve the greatest benefits for the District, given limited resources.

The Council's vision is:

'To contribute to a high quality life for all residents by delivering outstanding services, working with the community, county, town and parish councils'

And its commitments are

- Protecting the vulnerable and delivering for families
- Planning for the future
- Developing business and the visitor economy
- Delivering cultural, sports, leisure and heritage facilities
- Enabling and delivering transport improvements
- Keeping the District clean, green, healthy and safe
- Ensuring value for money and outstanding customer service

Priority projects are identified for each of the commitments and performance against these projects is reported quarterly and can be seen on the Council's website at <http://www.stalbans.gov.uk/council-and-democracy/PerformSpendAccount/performance/>

The purpose of the Statement of Accounts is to provide information of how the Council has utilised available financial resources during the year and its financial position at the end of the year. The accounts for the year ended 31 March 2016 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/2016 (The Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Service Reporting Code of Practice for Local Authorities 2015/2016, 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.

The accounts follow this Narrative Report, which has been written to provide a better understanding of the significant matters reported in the Accounts.

# Narrative Report

The Council's Statement of Accounts consists of:

## 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.
- **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.

## Supplementary Statements

- **The Housing Revenue Account (HRA) Income and Expenditure 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.

## Supplementary Statements continued

- **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) with respect to the Statement of Accounts.

## Narrative Report

- **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.
- **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 Report

## 2. Outturn compared to budget

### 2.1 General Fund results compared to budget

The General Fund is the primary fund of the Council accounting for all income and expenditure for the provision of services other than amounts that go through the supplementary statements (the HRA and Collection Fund Income and Expenditure Account as defined above). The following table compares the approved budget to actual income and expenditure in the format suggested by the accounting code.

<b>Comparison of Actual to Budget 2015/16</b>	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
<b>Net Cost of Services</b>	<b>19,864</b>	<b>19,311</b>	<b>(553)</b>
Interest (Receipts)/Payments	92	(79)	(171)
Capital Charge Adjustments	(2,641)	(2,640)	1
Other General Government Grants	(3,102)	(3,160)	(58)
Pension Adjustments	349	349	-
Revenue Contributions to Capital	152	610	458
Contributions to/(from) Earmarked Reserves	(289)	-	289
<b>Net Council Budget</b>	<b>14,425</b>	<b>14,391</b>	<b>(34)</b>
Parish Precepts	2,350	2,350	-
<b>Net Council Budget including precepts</b>	<b>16,775</b>	<b>16,741</b>	<b>(34)</b>
Revenue Support Grant	(1,968)	(1,968)	-
Retained Business Rates	(2,292)	(1,016)	1,276
Council Tax	(12,362)	(12,362)	-
Collection Fund Deficit/(Surplus)	(108)	(317)	(209)
<b>Total Income</b>	<b>(16,730)</b>	<b>(15,663)</b>	<b>1,067</b>
<b>(Surplus)/Deficit for the year</b>	<b>45</b>	<b>1,078</b>	<b>1,033</b>
Working Balance Brought Forward	(1,689)	(1,689)	-
Transfer from Earmarked Reserves to Balances	-	(1,876)	(1,876)
<b>Working Balance Carried Forward</b>	<b>(1,644)</b>	<b>(2,487)</b>	<b>(843)</b>

# Narrative Report

## 2.1 continued

The Council plans for a balanced General Fund budget for income and expenditure of an on-going nature i.e. it expects expenditure to be fully met by income. However, the Council also has to take account in its plans items of a 'one-off' nature that need to be funded from accumulated surpluses. These items account for the small budgeted deficit of £45k for the year in the table above.

Regular monthly budget monitoring reports are presented to management of their controllable costs, which are included in the General Fund share of the Cost of Services in the CI&ES. The budget monitoring reports showed the following budget variances:

- Land Charges Government Grant: The Government paid a grant of £149k during the year as a contribution towards the costs of a claim by personal search companies against local authorities. The costs were incurred in 2014/2015 and due to the uncertainties regarding any compensation from the Government, no budget was set for the grant.
- Sink hole: The Council incurred unbudgeted costs of £200k in supporting residents that were adversely affected by the emergence of a sink hole within the district.
- Planning applications: The number of planning applications remains high in comparison to other District Councils. The nationally set planning fee does not cover the cost of dealing with the applications and the Council funded additional resources to reduce the backlog of planning applications resulting in an overspend of £178k.
- Parking: The parking service (on street and off street) was underspent by £212k. The major contributor was the on street parking account where the budgeted deficit was reduced by £145k to an actual deficit of £192k. This was achieved by investment in car parking equipment, which improved on street parking fee income and reduced the cost recharged by the on street parking contractor.
- Contingency: An amount of £394k was set aside for 'one-off' costs relating to set up costs for efficiency savings, improving income and to fund any unforeseen increase in the employers' pension contribution and pension strain payments. In the event, expenditure was limited and savings were achieved without having to call on this budget.
- Other smaller under and overspends totalling an underspend of £176k result in an underspend on Cost of Services of £553k as shown in the table above.

Other variances over £100k below the Net Cost of Services Line:

# Narrative Report

## 2.1 continued

- Interest was underspent by £171k. Through careful and prudent management of the Council's cash resources, there was no requirement to borrow externally to fund the general fund capital programme.
- Revenue contributions to capital are over budget by £458k. This included planned spending on improvements to the IT infrastructure of £196k that was brought forward from 2016/2017 to 2015/2016 and £74k spend on new parking meters.
- The earmarked reserves were reviewed and a number of reserves were applied in 2015/2016 or written back to general balances. The movements to and from earmarked reserves can be seen in Note 8 to the Accounts.
- The sum of the variances in Retained Business Rates and Collection Fund Surplus totalling £1,067k arises from the timing difference between the amounts taken to the CI&ES and the distribution of surpluses under legislation.
  - The amounts distributed to precepting bodies and taken as income to the General Fund Balance (GFB), through the CI&ES, are based on estimates at the beginning of each financial year.
  - Actual results have not been as good as the estimates. This is due largely to higher business rates appeals provisions in the accounts than in the estimates.
  - The accounting treatment applied for the timing differences is in accordance with the code. However, the Council believes that a better picture of the GFB is shown by adjusting it for the amount held in the Collection Fund Adjustment Account in Unusable Reserves. The adjustment is made through Earmarked Reserves (EMR) and the EMR will be released back to the GFB in future years as the timing differences are reversed and the deficit on the Collection Fund recovered from the precepting bodies.



# Narrative Report

## 2.2 Housing Revenue Account (HRA) compared to budget

The following table shows the major variances between the budgeted HRA and the actual for the year. The table shows that the Council's net spending for 2015/2016 was £2,934k less than originally budgeted and after transfer to reserves, the HRA balance increased to £6,192k.

	Note	2015/2016 £'000
Budgeted HRA Deficit		556
<b>Income Variances</b>		
Rental Income	i	(526)
Minor Variances		(12)
<b>Total Income Variances</b>		<b>(538)</b>
<b>Expenditure Variances</b>		
Pension budget	ii	(140)
Supervision	iii	(176)
Repairs	iv	68
Capital Charges	v	(2,686)
<b>Total Expenditure Variances</b>		<b>(2,934)</b>
<b>Net (increase) or decrease</b>		<b>(2,916)</b>
HRA Surplus Brought Forward		(3,276)
<b>HRA Surplus Carried Forward</b>		<b>(6,192)</b>

- i. Additional rental income of approximately £70k was received by increasing rents on void properties to target rent. Additional rental income was received from the use of decommissioned sheltered schemes for temporary accommodation.
- ii. A budget for pension contributions was not required during the year. This has been removed from future budgets
- iii. The HRA benefitted from reduced costs with a saving of £146k on corporate recharges. The transfer of Community Alarm Service to North Herts Council resulted in a saving of £20k.
- iv. There was a small overspend on responsive repairs, this represents less than 3% of the budget. Additional spend was required for Health and Safety work.
- v. A review of the proportion of value that each component (structure, roof, windows, internal fixtures and fittings) represent of the total value for a property was undertaken and adopted. The components have different lives and therefore depreciation rates and the revised proportions reduced the depreciation charge to the HRA. This review was completed after the 2015/2016 budget was set. Future budgets have been calculated using the new component proportions.

# Narrative Report

## 3. Accounting Policies

The Council's Accounting Policies follow the Core Financial Statements below.

## 4. Collection Fund

The Council collects Council Tax for itself and also on behalf of Hertfordshire County Council, the Police and Crime Commissioner for Hertfordshire and Parishes and Business Rates are collected 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.

As at 31 March 2016, the Collection Fund had a deficit of £4,342k, (2014/2015 deficit £7,298k), reflecting an in-year surplus of £2,956k. The in-year surplus is mainly due to reduced payments to business rate precepting bodies in order to recover the deficit on the business rates section of the Collection Fund. Under the Business Rates Retention Scheme, introduced in 2013/2014, St Albans City and District Council retains 40% of the business rates collected for the area with 10% being payable to Hertfordshire County Council and 50% to Central Government. Amounts are paid to precepting bodies on estimates at the beginning of the year and any over or under payments accounted for in subsequent years estimates.

The Council's share of the Collection Fund deficit of £4,342k is £2,346k, and will be taken into account in future years' distributions in accordance with the legislation for business rates and council tax. The Council has set aside an earmarked reserve to mitigate the effect of the deficit on the General Fund Balance in future years.

# Narrative Report

## 5. 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 2015/2016 compared to budget and approved capital spend for the following two years.

<b>SERVICE</b>	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
Housing	12,088	11,038	1,050
Community Services	2,592	2,154	438
Planning and Buiding Control	378	62	316
Corporate Services	290	334	(44)
Finance	23	23	-
Legal Democratic and Regulatory Services	513	444	69
Chief Executive and Policy	25	7	18
<b>Total</b>	<b>15,909</b>	<b>14,062</b>	<b>1,847</b>
<b>This Capital Programme was financed as follows:</b>			
Capital receipts	2,719	1,834	885
Major repairs reserve	9,413	5,621	3,792
Government grants and third party contributions	657	1,299	(642)
Revenue contribution to capital expenditure	392	3,625	(3,233)
Prudential borrowing	2,728	1,683	1,045
<b>Total</b>	<b>15,909</b>	<b>14,062</b>	<b>1,847</b>
<b>APPROVED CAPITAL EXPENDITURE FOR THE FOLLOWING YEARS IS:</b>			
	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>	
General Fund	21,224	2,825	
Housing investment programme	16,452	10,239	
<b>Total Capital Expenditure</b>	<b>37,676</b>	<b>13,064</b>	
<b>Financed by:</b>			
Borrowing requirements	13,293	-	
Major repairs reserve	10,432	6,564	
Grants and contributions	3,822	557	
Capital reserves / receipts	10,129	5,943	
<b>Total</b>	<b>37,676</b>	<b>13,064</b>	

The main projects incurring expenditure during the year include:

- Expenditure of £1.1m completed the Cotlandswick leisure centre, which was opened on 27<sup>th</sup> June 2015. This state-of-the-art £4.8m leisure centre is the third new leisure centre to be opened by St Albans City and District Council in three years.

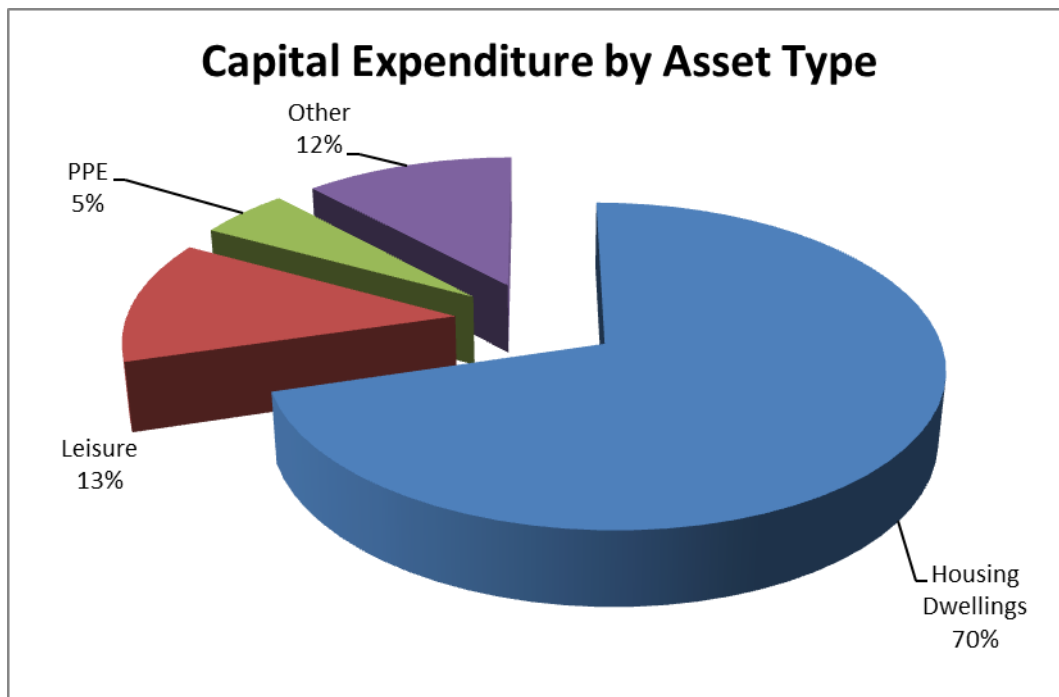
# Narrative Report

## 5. continued

- Expenditure of £416.2k was incurred on commencement of the Council's new £7.75m St Albans Museum and Gallery project. This ambitious scheme is to convert the City's Town Hall into a new state-of-the-art museum and art gallery.
- £0.29m has been spent on the installation of state-of-the-art pay machines at various Council fee paying car parks in the District. The improvements increased the availability and reliability of parking machines and provide a better service for residents and visitors.

The capital budget was underspent by £1.85m the main variances being:

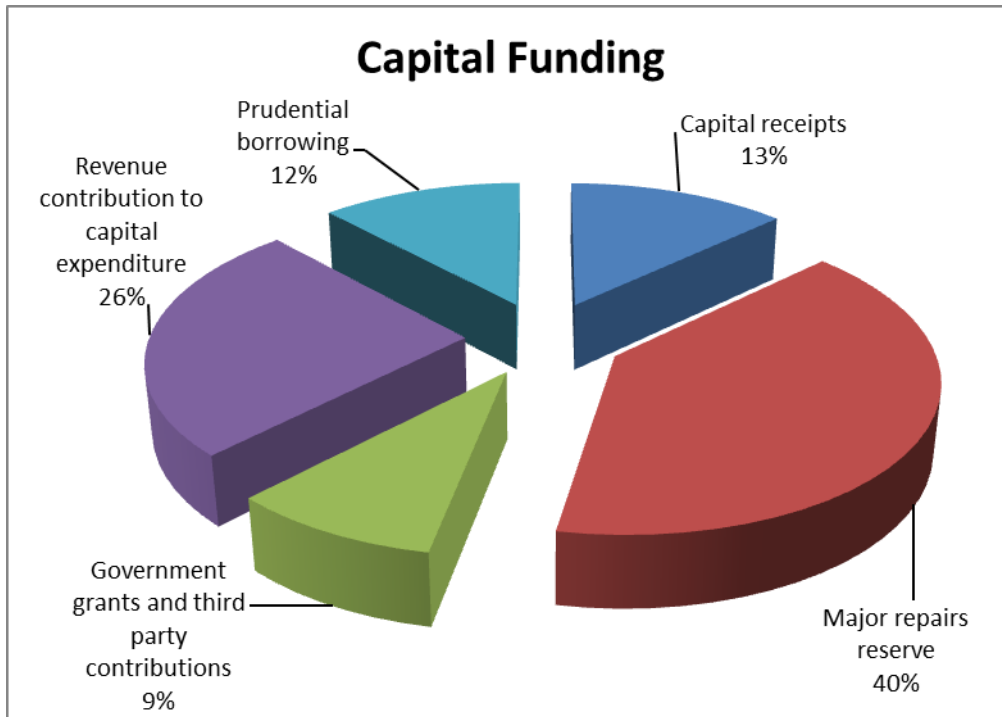
- Underspend in housing on affordable housing projects. The funds are retained for these to be rescheduled into the 2016/17 budget.
- Underspend on the re-development of the Museum of St Albans site. This will be re-phased into 2016/17.



The Council has an on-going programme of capital expenditure to make improvements to its housing stock. A breakdown list of housing additions is shown in the HRA section of the statement of accounts.

# Narrative Report

## 5. continued



## 6. 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 decreased by £5,925k during the year to £42,481k (2014/2015 £48,406k). 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 adversely 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 March 2016. The impact of this should be known by September 2016 and will be reviewed in light of the budget setting processes ahead of the 2017/18 financial year.

# Narrative Report

## 7. The Council's Financial Climate and Current Economic Climate

The Council, by law, manages its Housing Revenue Account separately from the rest of its services, the General Fund.

The General Fund services are funded approximately two thirds from Council Tax raised locally and one third from Government grants and non-domestic rates. Council Tax has been frozen for 8 years to 2016/2017. Government grant has been reducing as part of the Government's deficit reduction programme and the mainstream Government grant for the Council, Revenue Support Grant is due to be phased out.

The Government have announced financial figures for Councils for four years – 2016/2017 to 2019/2020 – and these show the phasing out of Revenue Support Grant as mentioned above, a fuller transfer of control of Business Rate funds to Local Government (though not full control of individual areas monies raised) and a scaling down and refinement of the New Homes Bonus funding stream. These represent a major change to the level and nature of funding for the Council.

The Council has made savings of £2.0m, £1.1m, £1.8m, £1.0m, £0.9m and £0.8m in the six years up to 2016/2017 and expects to make savings of approximately £3.9million for the three years 2017/2018 to 2019/2020, i.e. approximately £1.3m per annum. This is after taking account of inflation and latest forecasts of grant income and represents a large, but not unprecedented level of saving. The council has begun work on this and amongst other things will be focusing on raising income through being more commercial, including taking on new developments and activities where there is a public benefit as well as a commercial one.

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

- Changes to the government guidance on rents which removed the requirements for rents to rise to converge with other parts of the social housing sector and instead require authorities to decrease rents by 1% per annum for the following four years.
- Balancing the investment needs against rent levels and a desire to clear the debt early if possible.
- Changes to benefit payments and methods of paying them which seem likely to increase rent arrears and write offs.
- New requirements to sell higher value properties (or make equivalent transfers to Government as if they had been sold).

# Narrative Report

## 7. continued

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

- The impact of the Government's deficit reduction measures on government grant and welfare payments.
- Interest rates and inflation.

The main risks the Council faces that might impact financially on it are largely those around large capital project spending, or income streams that support them, income from recycling sales and the rate of recycling and the cost of planning appeals. The Annual Governance Statement gives some details on 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. However, for both the General Fund and the HRA, the general balances are not, as part of the medium term policy, used to fund future costs.

In terms of the impact of the vote in June 2016 to leave the European Union, the main impacts on the Council are not yet clear. The Council has no European Union funding but would be impacted on by any major changes to the economy in general including, largely via the pension fund, investment returns. This is being and will be kept under review by the Council's management team. The Council will also review the risks of any of the counter parties it lends to as a part of its Treasury Management Strategy, to take account of any possible adverse movements in credit ratings.

## 8. 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.

# Statement of Responsibilities for the Statement of Accounts

## St Albans City and District Council's responsibilities

### The Deputy Chief Executive (Finance)'s responsibilities

The Deputy Chief Executive (Finance) 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) has:

- Select 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 2016 and of its expenditure and income for the year then ended.

These financial statements replace the unaudited financial statements certified by the Deputy Chief Executive (Finance) on 30<sup>th</sup> June 2016



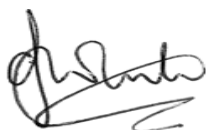
**C O'Callaghan**  
Deputy Chief Executive (Finance)

**Date:** 29<sup>th</sup> September 2016

### St Albans City and District Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for administration of these affairs. In this Council that officer is the Deputy Chief Executive (Finance).
- Manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets;
- Approve the Statement of Accounts

In accordance with the Accounts and Audit Regulations, I certify that the Statement of Accounts was approved by the Audit Committee on 29<sup>th</sup> September 2016.



**Councillor C J White**  
Chair of the Audit Committee

**Date:** 29<sup>th</sup> September 2016



## Movements in Reserves 2015-2016

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 reserves. The 'surplus (or deficit) on the Provision of Services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The 'Net increase/ decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	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
<b>Balance at 31 March 2015</b>	(1,689)	(6,595)	(3,276)	(646)	(15,234)	(4,035)	(404)	(31,879)	(371,768)	(403,647)
<b>Movement in reserves during 2015/16</b>										
(Surplus) or deficit on the provision of services	2,133	-	(4,688)	-	-	-	-	(2,555)	-	(2,555)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(84,422)	(84,422)
<b>Total Comprehensive Income and Expenditure</b>	<b>2,133</b>	<b>-</b>	<b>(4,688)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,555)</b>	<b>(84,422)</b>	<b>(86,977)</b>
Adjustments between accounting basis & funding basis under regulations (note 7)	(1,055)	-	1,772	-	(4,165)	(678)	(232)	(4,358)	4,358	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>1,078</b>	<b>-</b>	<b>(2,916)</b>	<b>-</b>	<b>(4,165)</b>	<b>(678)</b>	<b>(232)</b>	<b>(6,913)</b>	<b>(80,064)</b>	<b>(86,977)</b>
Transfers to/from Earmarked Reserves (note 8)	(1,876)	1,876	-	-	-	-	-	-	-	-
<b>Increase/Decrease in 2015/16</b>	<b>(798)</b>	<b>1,876</b>	<b>(2,916)</b>	<b>-</b>	<b>(4,165)</b>	<b>(678)</b>	<b>(232)</b>	<b>(6,913)</b>	<b>(80,064)</b>	<b>(86,977)</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>(2,487)</b>	<b>(4,719)</b>	<b>(6,192)</b>	<b>(646)</b>	<b>(19,399)</b>	<b>(4,713)</b>	<b>(636)</b>	<b>(38,792)</b>	<b>(451,832)</b>	<b>(490,624)</b>

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

## Movements in Reserves 2014-2015

	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
<b>Balance at 31 March 2014</b>	<b>(3,843)</b>	<b>(3,331)</b>	<b>(3,367)</b>	<b>(431)</b>	<b>(13,091)</b>	<b>(3,645)</b>	<b>(1,286)</b>	<b>(28,994)</b>	<b>(307,603)</b>	<b>(336,597)</b>
<b>Movement in reserves during 2014/15</b>										
(Surplus) or deficit on the provision of services	4,519	-	(5,792)	-	-	-	-	(1,273)	-	(1,273)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(65,777)	(65,777)
<b>Total Comprehensive Income and Expenditure</b>	<b>4,519</b>	<b>-</b>	<b>(5,792)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,273)</b>	<b>(65,777)</b>	<b>(67,050)</b>
<b>Adjustments</b>										
Adjustments between accounting basis & funding basis under regulations (note 7)	(5,629)	-	5,668	-	(2,143)	(390)	882	(1,612)	1,612	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(1,110)</b>	<b>-</b>	<b>(124)</b>	<b>-</b>	<b>(2,143)</b>	<b>(390)</b>	<b>882</b>	<b>(2,885)</b>	<b>(64,165)</b>	<b>(67,050)</b>
Transfers to/from Earmarked Reserves (note 8)	3,264	(3,264)	215	(215)	-	-	-	-	-	-
<b>Increase/Decrease in 2014/15</b>	<b>2,154</b>	<b>(3,264)</b>	<b>91</b>	<b>(215)</b>	<b>(2,143)</b>	<b>(390)</b>	<b>882</b>	<b>(2,885)</b>	<b>(64,165)</b>	<b>(67,050)</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>(1,689)</b>	<b>(6,595)</b>	<b>(3,276)</b>	<b>(646)</b>	<b>(15,234)</b>	<b>(4,035)</b>	<b>(404)</b>	<b>(31,879)</b>	<b>(371,768)</b>	<b>(403,647)</b>

# 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. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Gross Expenditure 2014/2015 Restated* £'000	Gross Income 2014/2015 Restated* £'000	Net Expenditure 2014/2015 Restated* £'000		Gross Expenditure 2015/2016 £'000	Gross Income 2015/2016 £'000	Net Expenditure 2015/2016 £'000
			<b>Central Services</b>			
-	(40)	(40)	Council Tax benefit payments	-	(11)	(11)
3,067	(798)	2,269	Other central services	2,934	(1,039)	1,895
7,387	(2,250)	5,137	<b>Cultural and Related Services</b>	6,046	(2,215)	3,831
8,771	(2,218)	6,553	<b>Environmental and Regulatory Services</b>	9,200	(2,310)	6,890
4,648	(1,664)	2,984	<b>Planning and Development Services</b>	5,185	(1,642)	3,543
2,674	(3,508)	(834)	<b>Highways and Transport Services (i)</b>	2,918	(3,888)	(970)
			<b>Housing Services</b>			
33,288	(33,220)	68	Housing benefit payments	33,442	(33,615)	(173)
2,686	(806)	1,880	Other housing services (ii)	2,455	(870)	1,585
16,068	(28,593)	(12,525)	Local Authority Housing (HRA) (iii)	16,118	(28,982)	(12,864)
(5,088)	-	(5,088)	Revaluation gain on HRA properties	(1,126)	-	(1,126)
3,509	(822)	2,687	<b>Corporate and Democratic Core</b>	3,798	(839)	2,959
15	-	15	<b>Non distributed Costs</b>	24	-	24
<b>77,025</b>	<b>(73,919)</b>	<b>3,106</b>	<b>Cost of Services</b>	<b>80,994</b>	<b>(75,411)</b>	<b>5,583</b>
		10,319	Other operating expenditure	note 9		7,624
		7,356	Financing and investment income and expenditure	note 10		5,726
		(22,054)	Taxation and non-specific grant income	note 11		(21,488)
		<b>(1,273)</b>	<b>Surplus on Provision of Services</b>			<b>(2,555)</b>
		(68,510)	Surplus on revaluation of property, plant and equipment assets	note 24.1		(77,416)
		2,733	Actuarial (gains)/losses on pension	note 39		(7,006)
		<b>(65,777)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(84,422)</b>
		<b>(67,050)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(86,977)</b>

\* For details of re-statement see notes 11 and 30

# Comprehensive Income and Expenditure Statement

- i. The Council is not a highways authority and therefore not responsible for the upkeep of roads in the district. This heading includes costs and income relating to car parks, parking enforcement, public transport subsidies, roadside furniture and the depreciation of related assets.
- ii. Other housing services include home renovation grants, costs of caring for homeless people and the cost of administering housing benefits.
- iii. The Housing Revenue Account is a ring-fenced account for Council tenants, which has a separate section in the Financial Statements.

## Balance Sheet as at 31 March 2016

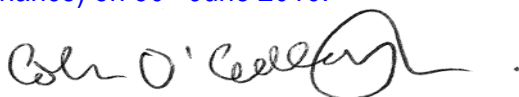
The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council.

31 March 2015 £'000		Note	31 March 2016 £'000
621,720	Property Plant and Equipment	12	692,851
5,380	Heritage Assets	13	5,661
7,335	Investment property	14	7,582
239	Intangible Assets	15	552
1	Long term investments	16	-
162	Long term debtors	16	148
<b>634,837</b>	<b>Long Term Assets</b>		<b>706,794</b>
-	Short Term Investments	16	5,007
351	Assets Held for Sale	17	206
48	Inventories	18	45
8,134	Short Term Debtors	19	6,464
8,603	Cash and Cash equivalents	20	14,067
<b>17,136</b>	<b>Current Assets</b>		<b>25,789</b>
(2,000)	Short Term Borrowing	16	(4,160)
(9,542)	Short Term Creditors	21	(10,027)
-	Short term provisions	22	(478)
<b>(11,542)</b>	<b>Current Liabilities</b>		<b>(14,665)</b>
(48,406)	Pension Liability	39	(42,481)
(184,576)	Long term borrowing	16	(180,416)
(2,664)	Other Long term Liabilities and Provisions	22	(3,406)
(1,138)	Capital Grants Receipts in Advance	35	(991)
<b>(236,784)</b>	<b>Long Term Liabilities</b>		<b>(227,294)</b>
<b>403,647</b>	<b>Net Assets</b>		<b>490,624</b>
(31,879)	Usable Reserves	23	(38,792)
(371,768)	Unusable reserves	24	(451,832)
<b>(403,647)</b>	<b>Total reserves</b>		<b>(490,624)</b>

These financial statements replace the unaudited financial statements certified by the Deputy Chief Executive (Finance) on 30<sup>th</sup> June 2016.

**C O'Callaghan**

Deputy Chief Executive (Finance)



**Date:** 29<sup>th</sup> September 2016

## Balance Sheet as at 31 March 2016 continued

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”.

## 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.

2014/2015 £'000		Notes	2015/2016 £'000
1,273	<b>Net surplus or (deficit) on the provision of services</b>		2,555
21,424	Adjustment to net surplus or deficit on the provision of services for non-cash movements	25	20,746
(7,748)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(8,595)
<b>14,949</b>	<b>Net cash flows from Operating Activities</b>		<b>14,706</b>
(6,681)	Investing Activities	27	(11,449)
(4,200)	Financing Activities	28	2,207
<b>4,068</b>	<b>Net increase or decrease in cash and cash equivalents</b>		<b>5,464</b>
4,535	Cash and cash equivalents at the beginning of the reporting period		8,603
<b>8,603</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>14,067</b>

# Notes to the Accounts

## 1. Accounting Policies

### 1.1 General Policies

The Statement of Accounts summarises the Council's transactions for the 2015/2016 financial year and its position at the year-end 31 March 2016. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2011, 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 2015-16 and the Service Reporting Code of Practice 2015/2016, 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 the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable the economic benefits or service potential associated with the transaction will flow to the Council.
- 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.
- 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.



# Notes to the Accounts

## 1.3 Principal and Agent accounting policy

The majority of transactions the Council undertakes, it is acting entirely on its own behalf and completely own 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 Department for Communities and Local Government (DCLG) 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.

## 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. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

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

Prior period adjustments may arise as a result 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.

# Notes to the Accounts

## 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 Position 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.

## 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 employees can carry forward into the next year, consists mainly of 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.

# Notes to the Accounts

## 1.7b continued

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 of 6.9% real (based on the indicative rate of return on a high-quality corporate bond (iBoxx Sterling Corporate Index, AA over 15 years.))
- The assets of the Hertfordshire Local Government 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;

# Notes to the Accounts

## 1.7c continued

- 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 Local Government Pension Fund – cash paid as employer’s contributions to the pension fund.

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 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.

# Notes to the Accounts

## 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

Financial Assets held by the Council consist of 'Loans and Receivables'. That is, assets that have fixed or determinable payments but are not quoted in an active market, for example bank deposits, investments and trade receivables.

Loans and Receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measure at 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 for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all of the Council's loans made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

# Notes to the Accounts

## 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-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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.

# Notes to the Accounts

## 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.

### 1.11c *Sculptures and War Memorials*

These assets are re-valued every five years 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

# Notes to the Accounts

## 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 **Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as the result of a past event (e.g. software licences and system development expenditure) is capitalised when it is expected that future benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The valuation of an intangible asset is amortised over the asset's useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired with any losses recognised posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund balance. Such gains and losses are therefore reversed out of General Fund balance in the Movement of Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.



# Notes to the Accounts

## 1.13 Inventories

Inventories are included in the Balance Sheet at the lower of cost or net realisable value.

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

## 1.15 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.

# Notes to the Accounts

## 1.16 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.

### 1.16a *The Council as Lessee*

#### ***Finance Leases***

The Council has no financial leases.

#### ***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.

### 1.16b *The Council as Lessor*

#### ***Finance Leases***

The Council has no finance leases.

#### ***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

## 1.17 Overheads and Support Services

The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to benefits received (in terms of employee time spent, running costs and office space used), with the exception of:

- Corporate and Democratic Core – cost relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

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

## 1.18 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.

### 1.18a 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.

# Notes to the Accounts

## 1.18b 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, Community Assets and Assets Under Construction – depreciated historical cost
- Dwellings – fair 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 fair value on the grounds of materiality.
- All other assets – fair value determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

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

Assets included in the Balance Sheet at fair 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:

- 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).
- 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.

# Notes to the Accounts

## 1.18c *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:

- 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)
- 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.

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.

## 1.18d *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.

# Notes to the Accounts

## 1.18e *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.

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.

# Notes to the Accounts

## 1.19 Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits 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.

## 1.20 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.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in Note 40.

## 1.21 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 to score against the Surplus or Deficit on the Provision of Service in the Net Cost of Services 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.

# Notes to the Accounts

## 1.22 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.

## 1.23 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.



## Notes to the Accounts

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

Paragraph 3.3.2.13 of the 2015/2016 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. The standards introduced in the 2016/2017 Code that are relevant to the requirements of paragraph 3.3.4.3 are:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010 – 2012 Cycle (see Appendix A of the Invitation to Comment (ITC) on the 2016/17 Code for further details)
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs 2012 – 2014 Cycle (see Appendix B of the ITC on the 2016/17 Code for further details)
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis

It is anticipated that the above list of accounting standards will not have a material impact on the accounts of St Albans City and District 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.

# Notes to the Accounts

## 4. Assumptions made 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:

### 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 £8 million 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 2014/2015 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 LAAP86.

HRA dwellings are now 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 £88k.

### 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 2015/2016, the Council's actuaries advised that the net pensions liability had decreased by £5.9 million to £42.5 million (2014/2015 £48.4 million).

# Notes to the Accounts

## 4. continued

### **Business rates appeals provision**

Since the introduction of the Business Rates Retention Scheme effective from 1<sup>st</sup> April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2015/2016 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31<sup>st</sup> March 2016. 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 £9,233k (2014/15 £6,262k) and the Council's share held in the Balance Sheet is £3,693k (2014/15 £2,505k). The increase in total provision from last year is £2,971k and is due, in the main, to two factors. Firstly the level of general outstanding appeals has increased. Secondly, following the Gallagher (VO) v Dr M Read & Partners and Dr J Poyser and Partners case and the method for valuing doctors' surgeries for rating purposes, the number of appeals for doctors' surgeries has increased from 5 in 2014/2015 to 24 in 2015/2016. If business rate appeals were to increase significantly, the provision would have to be reassessed and increased 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. However, as an example, a decrease in the business rate yield of 5% as a result of successful appeals would increase the required provision by £462k affecting the surplus/deficit on the Collection Fund and amounts to be distributed to the precepting bodies and Central Government.

### **Arrears**

At 31 March 2016, the Council had a balance of sundry debtors. A review of significant balances suggested that a doubtful debt impairment of 69.6% (£754k) was appropriate.

If collection rates were to deteriorate an increase in the impairment of doubtful debts would be required. A doubling of the amount of the impairment of doubtful debts, up to a maximum of 100%, would require an additional £207k to be set aside as an allowance.

# Notes to the Accounts

## 5. Material items of income and expenditure

### 5.1 Pension Fund Actuarial Gain

The Pension Fund Actuary has reported an actuarial gain for 2015/2016 of £5.9 million (2014/2015 £2.7 million loss), contributing to the pension fund deficit of £42.5 million. This is reported as a gain 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 Balance implications.

## 6. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Deputy Chief Executive (finance) on 29<sup>th</sup> September 2016. 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 31 March 2016, 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 30<sup>th</sup> September 2016.

# Notes to the Accounts

## 7. 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 or 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	
<b>2015/2016</b>						
<b>Adjustments to the Revenue Reserves</b>						
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)	(925)	(156)	-	-	-	1,081
Council Tax and NDR (transfers to/(from) the Collection Fund)	1,135	-	-	-	-	(1,135)
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)	(1,717)	(16,402)	-	-	(291)	18,410
<b>Total Adjustments to Revenue Resources</b>	<b>(1,507)</b>	<b>(16,558)</b>	<b>-</b>	<b>-</b>	<b>(291)</b>	<b>18,356</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sales proceeds from revenue to Capital Receipts Reserve	-	6,933	(6,933)	-	-	-
Administration costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(31)	31	-	-	-
Payments to the government of housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(998)	-	998	-	-	-
Posting of HRA resources from revenue to Major Repairs Reserve	-	6,299	-	(6,299)	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	873	2,000	-	-	-	(2,873)
Other capital receipts taken to the CI&ES	67	114	(181)	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	610	3,015	-	-	-	(3,625)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>552</b>	<b>18,330</b>	<b>(6,085)</b>	<b>(6,299)</b>	<b>-</b>	<b>(6,498)</b>
<b>Adjustments to Capital Resources</b>						
Use of Capital Receipts Reserve to finance capital expenditure	-	-	1,834	-	-	(1,834)
Use of Major Repairs Reserve to finance capital expenditure	-	-	-	5,621	-	(5,621)
Application of capital grants to finance capital expenditure	-	-	-	-	59	(59)
Repayment of capital deposit	(100)	-	100	-	-	-
Cash payments in relation to deferred capital receipts		-	(14)	-	-	14
<b>Total Adjustments to Capital Resources</b>	<b>(100)</b>	<b>-</b>	<b>1,920</b>	<b>5,621</b>	<b>59</b>	<b>(7,500)</b>
<b>Total Adjustments</b>	<b>(1,055)</b>	<b>1,772</b>	<b>(4,165)</b>	<b>(678)</b>	<b>(232)</b>	<b>4,358</b>

# 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	
<b>2014/2015</b>						
<b>Adjustments to the Revenue Reserves</b>						
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)	(938)	(169)	-	-	-	1,107
Council Tax and NDR (transfers to/(from) the Collection Fund)	(2,032)	-	-	-	-	2,032
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)	(3,567)	(13,455)	-	-	61	16,961
<b>Total Adjustments to Revenue Resources</b>	<b>(6,537)</b>	<b>(13,624)</b>	<b>-</b>	<b>-</b>	<b>61</b>	<b>20,100</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sales proceeds from revenue to Capital Receipts Reserve	59	5,137	(5,196)	-	-	-
Administration costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(35)	35	-	-	-
Payments to the government of housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(834)	-	834	-	-	-
Posting of HRA resources from revenue to Major Repairs Reserve	-	5,865	-	(5,865)	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	796	3,500	-	-	-	(4,296)
Other capital receipts taken to the CI&ES	78	85	(163)	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	779	4,740	-	-	-	(5,519)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>878</b>	<b>19,292</b>	<b>(4,490)</b>	<b>(5,865)</b>	<b>-</b>	<b>(9,815)</b>
<b>Adjustments to Capital Resources</b>						
Use of Capital Receipts Reserve to finance capital expenditure	-	-	2,362	-	-	(2,362)
Use of Major Repairs Reserve to finance capital expenditure	-	-	-	5,475	-	(5,475)
Application of capital grants to finance capital expenditure	-	-	-	-	821	(821)
Cash payments in relation to deferred capital receipts	30	-	(15)	-	-	(15)
<b>Total Adjustments to Capital Resources</b>	<b>30</b>	<b>-</b>	<b>2,347</b>	<b>5,475</b>	<b>821</b>	<b>(8,673)</b>
<b>Total Adjustments</b>	<b>(5,629)</b>	<b>5,668</b>	<b>(2,143)</b>	<b>(390)</b>	<b>882</b>	<b>1,612</b>

# Notes to the Accounts

## 8. 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 2015/2016.

	Balance at 31 March 2014	Transfers out 2014/2015	Transfers In 2014/2015	Balance at 31 March 2015	Transfers out 2015/2016	Transfers In 2015/2016	Balance at 31 March 2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>General Fund</b>							
Planning appeals reserve (1)	1,500	(224)		1,276	(404)		872
Collection Fund Equalisation Account (2)	-		3,250	3,250	(1,104)	517	2,663
Westminster Lodge capital reserve	72		72	144		72	216
LABGI	137	(25)		112	(26)		86
Amenity Area Maintenance Fund	189			189	(189)		-
S52 Town & Country Planning Act	140	(140)		-			-
Building maintenance reserve	108		76	184		59	243
Building control account	167	(132)	347	382	(151)		231
Local development framework	157		101	258	(258)		-
Performance Reward Grant	118	(7)		111	(102)		9
Other Reserves Under £100k	743	(249)	195	696	(566)	269	399
<b>General Fund sub-total</b>	<b>3,331</b>	<b>(777)</b>	<b>4,041</b>	<b>6,595</b>	<b>(2,800)</b>	<b>917</b>	<b>4,719</b>
<b>HRA</b>							
Revenue earmarked reserve	-	-	65	65	(65)	65	65
Capital expenditure reserve	431	-	150	581	-	-	581
<b>HRA sub-total</b>	<b>431</b>	<b>-</b>	<b>215</b>	<b>646</b>	<b>(65)</b>	<b>65</b>	<b>646</b>
<b>Total</b>	<b>3,762</b>	<b>(777)</b>	<b>4,256</b>	<b>7,241</b>	<b>(2,865)</b>	<b>982</b>	<b>5,365</b>

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 Collection Fund Equalisation Account is equal but opposite to the business rate proportion of the Collection Fund Adjustment Account (in unusable reserves). It ensures that the General Fund Balance does not reflect past over distributions from the Collection Fund. It will be released to the General Fund Balance over following years, in line with adjustments to the Collection fund Adjustment Account, as Collection Fund distributions take account of the current deficit on the business rates Collection Fund Account.



# Notes to the Accounts

## 9. Other Operating Expenditure

2014/2015 £'000		2015/2016 £'000
2,288	Parish Council Precepts	2,350
834	Payments to the Government Housing Capital Receipts Pool	998
(2,133)	(Gains)/losses on the disposal of non-current assets	(3,012)
9,493	Write-off of replaced asset components *	7,369
(163)	Other Capital receipts and income	(81)
<b>10,319</b>		<b>7,624</b>

\*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.

## 10. Financing and Investment Income and Expenditure

2014/2015 £'000 Restated *		2015/2016 £'000
5,229	Interest payable and similar charges	5,157
1,812	Net interest on the net defined benefit liability	1,494
(115)	Interest receivable and similar income	(154)
466	Changes in fair value of investment properties	(725)
(36)	(Surplus)/deficit from trading operations not included in Net Cost of Services	(46)
<b>7,356</b>		<b>5,726</b>

\* For details of re-statement see note 30

# Notes to the Accounts

## 11. Taxation and Non-Specific Grant Income

2014/2015 £'000 Restated*		2015/2016 £'000
	<b>Council Tax</b>	
(12,239)	Council Tax Income	(12,362)
(261)	Transfer from the Collection Fund	(330)
<b>(12,500)</b>	<b>Council Tax net</b>	<b>(12,692)</b>
	<b>Business Rates</b>	
(24,864)	Share of Business Rate income	(22,833)
23,072	Tariff paid to central government	23,512
2,098	Council's share of Business Rates deficit	(1,122)
(1,717)	Safety net payment due from central government	(870)
<b>(1,411)</b>	<b>Business Rates net income</b>	<b>(1,313)</b>
	<b>Non-specific Grants</b>	
(2,642)	Revenue support grant	(1,968)
(673)	Small Business Rate relief	(825)
(2,362)	New Homes Bonus	(3,001)
(106)	Council Tax Freeze Grant	(107)
(2,360)	Capital grants and contributions	(1,582)
<b>(8,143)</b>	<b>Non-specific Grants sub-total</b>	<b>(7,483)</b>
<b>(22,054)</b>	<b>Total</b>	<b>(21,488)</b>

\* New Homes Bonus and Council Tax Freeze grant were previously included in Cost of Services under 'Corporate and Democratic Core' and 'Other Central Services' respectively. The amounts are correctly shown in this note and the prior year figures are restated for comparison purposes.

# Notes to the Accounts

## 12. Property, Plant and Equipment

### Movement on Balances

The following two tables show the movements in PPE during the current and prior year analysed between categories of PPE.

PPE Movements 2015/2016	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Furniture & Equipment £'000	Infrastructure £'000	Asset Under Construction £'000	Property, Plant & Equipment Total £'000
<b>Cost or Valuation</b>						
At 1 April 2015	452,603	167,644	9,524	1,944	6,631	638,346
Transfers	-	477	128	(183)	-	422
Additions	7,899	812	853	62	2,712	12,338
Revaluation increases/(decreases) recognised in the Revaluation Reserve	40,613	29,762	-	-	-	70,375
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	956	(354)	-	-	-	602
Write off - disposals	(3,643)	-	(35)	-	-	(3,678)
Write off - replaced components	(6,843)	(526)	-	-	-	(7,369)
Assets reclassified to/(from) assets under construction	-	5,413	65	-	(5,478)	-
Assets reclassified (to)/from assets held for sale	1,447	30	-	-	(1,653)	(176)
Impairment (losses)/reversals recognised in the surplus/deficit on the Provision of Services	-	-	-	-	-	-
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-	-
<b>At 31 March 2016</b>	<b>493,032</b>	<b>203,258</b>	<b>10,535</b>	<b>1,823</b>	<b>2,212</b>	<b>710,860</b>
<b>Accumulated Depreciation and Impairment</b>						
At 1 April 2015	(5,593)	(4,423)	(5,776)	(834)	-	(16,626)
Transfers	-	(5)	(30)	58	-	23
Depreciation charge	(6,067)	(1,841)	(802)	(94)	-	(8,804)
Depreciation written out to the Revaluation Reserve	5,207	1,689	-	-	-	6,896
Depreciation written out to the Surplus/(Deficit) on the Provision of Services	389	28	-	-	-	417
Write off - disposals	50	-	34	-	-	84
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-
<b>At 31 March 2016</b>	<b>(6,014)</b>	<b>(4,552)</b>	<b>(6,574)</b>	<b>(870)</b>	<b>-</b>	<b>(18,010)</b>
<b>Net Book Value</b>						
<b>At 31 March 2016</b>	<b>487,018</b>	<b>198,706</b>	<b>3,961</b>	<b>953</b>	<b>2,212</b>	<b>692,850</b>
<b>At 31 March 2015</b>	<b>447,010</b>	<b>163,221</b>	<b>3,748</b>	<b>1,110</b>	<b>6,631</b>	<b>621,720</b>

# Notes to the Accounts

## 12. continued

PPE Movements 2014/2015	Council Dwellings £'000	Other Land and Buildings and Buildings £'000	Vehicles, Furniture & Equipment £'000	Infrastructure £'000	Asset Under Construction £'000	Property, Plant & Equipment Total £'000
<b>Cost or Valuation</b>						
At 1 April 2014	424,274	130,025	9,360	1,607	7,455	572,721
Additions	10,927	396	220	253	6,676	18,472
Revaluation increases/(decreases) recognised in the Revaluation Reserve	27,001	31,105	-	-	-	58,106
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	3,182	(778)	-	-	-	2,404
Write off - replaced components	(9,098)	(396)	-	-	-	(9,494)
Write off - disposals	(2,673)	(43)	(72)	-	-	(2,788)
Assets reclassified (to)/from	-	7,334	17	83	(7,434)	-
Assets reclassified (to)/from assets held for sale	(327)	-	-	-	-	(327)
Impairment (losses)/reversals recognised in the surplus/deficit on the Provision of Services	(638)	-	-	-	(64)	(702)
Impairment (losses)/reversals recognised in the Revaluation Reserve	(43)	-	-	-	-	(43)
<b>At 31 March 2015</b>	<b>452,605</b>	<b>167,643</b>	<b>9,525</b>	<b>1,943</b>	<b>6,633</b>	<b>638,349</b>
<b>Accumulated Depreciation and Impairment</b>						
At 1 April 2014	(10,710)	(4,167)	(5,041)	(727)	-	(20,645)
Depreciation charge	(5,647)	(2,073)	(748)	(107)	-	(8,575)
Depreciation written out to the Revaluation Reserve	8,804	1,520	-	-	-	10,324
Depreciation written out to the Surplus/(Deficit) on the Provision of Services	1,906	296	-	-	-	2,202
Write off - disposals	36	2	13	-	-	51
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	14	-	-	-	-	14
<b>At 31 March 2015</b>	<b>(5,597)</b>	<b>(4,422)</b>	<b>(5,776)</b>	<b>(834)</b>	<b>-</b>	<b>(16,629)</b>
<b>Net Book Value</b>						
<b>At 31 March 2015</b>	<b>447,008</b>	<b>163,221</b>	<b>3,749</b>	<b>1,109</b>	<b>6,633</b>	<b>621,720</b>
<b>At 31 March 2014</b>	<b>413,564</b>	<b>125,859</b>	<b>4,318</b>	<b>880</b>	<b>7,455</b>	<b>552,076</b>

# Notes to the Accounts

## 12. continued

### 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 2014/2015, they remained unchanged for 2015/2016

- 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, and intangible assets: 3 to 35 years
- Infrastructure: 5 to 20 years.

### Capital Commitments

As at 31<sup>st</sup> March 2016, the Council has entered into a number of contracts for the construction and enhancement of Property, Plant and Equipment in 2015/2016 at a cost of £3.2 million. Similar commitments at 31<sup>st</sup> March 2015 were £2.2 million.

### Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair 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 Institute of Chartered Surveyors. Vehicles, plant, furniture and equipment are not valued and depreciation costs are used as a proxy for fair value.

The significant assumptions in estimating the fair 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.
- 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.

## Notes to the Accounts

### 12. continued

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 fair 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.

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	-	-	3,963	3,963
Valued at current value in:				
2011/2012	-	16,401	-	16,401
2012/2013	-	7,663	-	7,663
2013/2014	-	21,965	-	21,965
2014/2015	-	22,575	-	22,575
2015/2016	487,017	130,102		617,119
<b>Total</b>	<b>487,017</b>	<b>198,706</b>	<b>3,963</b>	<b>689,686</b>

### 13. Heritage Assets

31 March 2015 £'000	Heritage Assets	31 March 2016 £'000
4,059	Exhibits	4,330
334	Silver	334
45	Civic Regalia	45
520	Cups and Trophies	530
36	Sculptures	36
386	War Memorials	386
<b>5,380</b>	<b>Carrying Value</b>	<b>5,661</b>

# Notes to the Accounts

## 14. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line, as part of the surplus/deficit from trading operations, in the Comprehensive Income and Expenditure Statement.

2014/2015 £'000		2015/2016 £'000
(713)	Rental income from investment property	(629)
80	Direct operating expenses arising from investment property	63
<b>(633)</b>	<b>Net (gain)/loss</b>	<b>(566)</b>

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.

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

2014/2015 £'000		2015/2016 £'000
<b>7,801</b>	<b>Balance at start of year:</b>	<b>7,335</b>
-	- Reclassification	(477)
(466)	Impairment	-
-	- Revaluation	725
<b>7,335</b>	<b>Balance at end of the year</b>	<b>7,583</b>

Investment Properties are those that are used solely to earn rentals and/or for capital appreciation (note 1.14). A review of assets during 2015/2016 identified 5 properties which did not meet this definition. These properties have been reclassified as Property, Plant and Equipment.

# Notes to the Accounts

## 14. continued

2015/16 Recurring fair value measurements using:	Quoted Prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31st March 2016 £000
Office Units	-	576	-	576
Retail Units	-	4,228	-	4,228
Recreational	-	2,778	-	2,778
<b>Total</b>	<b>0</b>	<b>7,582</b>	<b>0</b>	<b>7,582</b>

Investment Properties are valued at fair value as at 31<sup>st</sup> March 2016. Analysis of the relevant valuation techniques classifies these assets as level 2.

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 takes into account 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.

Paragraph 28 of IFRS 13 states that the highest and best use of a non-financial asset takes into account 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 10 years remaining and upon review the Council does not consider it legally and financially sound to terminate the lease before expiry.



# Notes to the Accounts

## 15. Intangible Assets

Intangible Assets consist mainly of software licences and computer software programmes. The carrying amount of intangible assets is amortised on a straight line basis.

The movement on Intangible Asset balances during the year is as follows:

2014/15 £'000		2015/16 £'000
	<b>Balance at start of year:</b>	
477	Gross carrying amount	<b>599</b>
(317)	Accumulated amortisation	(360)
<b>160</b>	<b>Net carrying amount at start of year</b>	<b>239</b>
122	Purchases	386
(43)	Amortisation for the period	(100)
-	- Transfer - carrying amount	55
-	- Transfer amortisation	(28)
<b>239</b>	<b>Net carrying amount at end of year</b>	<b>552</b>
	<b>Comprising:</b>	
599	Gross carrying amount	1,040
(360)	Accumulated amortisation	(488)
<b>239</b>	<b>Net carrying amount at end of year</b>	<b>552</b>

The Amortisation for 2015/2016 has been charged to the CI&ES. £7k has been charged to Housing Services: Local Authority Housing (HRA) and £93k has been charged to Central Services – Other Central Services.

# 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 2016 £'000	At 31 March 2015 £'000	At 31 March 2016 £'000	At 31 March 2015 £'000
<b>Investments</b>				
Loans and receivables	-	1	5,007	-
Cash and Cash Equivalents	-	-	14,063	8,600
<b>Total investments</b>	-	<b>1</b>	<b>19,070</b>	<b>8,600</b>
<b>Debtors</b>				
Financial assets carried at contract amounts	147	162	5,572	3,967
<b>Borrowings</b>				
Financial liabilities at amortised cost	(180,416)	(184,576)	(4,160)	(2,000)
<b>Creditors</b>				
Financial liabilities carried at contract amounts	(1,182)	(1,297)	(6,262)	(6,742)

# Notes to the Accounts

16. continued

## 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	£'000		£'000	£'000	£'000	
5,229	-	5,229	Total interest expense in the Surplus or Deficit on the Provision of Services	5,157	-	5,157	
-	(115)	(115)	Total interest income in the Surplus or Deficit on the Provision of Services	-	(154)	(154)	
5,229	(115)	5,114	<b>Net (gain)/loss for the year in Surplus or Deficit on the Provision of Services</b>	5,157	(154)	5,003	

### 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 2016 of 0.19% to 2.06% for loans from the Public Works Loan Board (PLWB) 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

## 16. continued

The fair values calculated are as follows:

### Financial Assets

31 March 2015			31 March 2016	
Carrying amount	Fair Value		Carrying amount	Fair Value
£'000	£'000		£'000	£'000
8,600	8,600	Cash	14,327	14,327
-	-	Fixed term deposits	5,007	5,021

### Financial Liabilities

31 March 2015			31 March 2016	
Carrying amount	Fair Value		Carrying amount	Fair Value
£'000	£'000		£'000	£'000
186,576	210,571	Public Works Loan Board loans	184,576	210,189

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 2016) 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.

2014/2015 £'000		2015/2016 £'000
350	<b>Balance at start of year</b>	351
(326)	Assets sold in year	(326)
	Assets newly classified as held for sale	
327	- Property, Plant & Equipment	181
351	<b>Balance at Year End</b>	206

Assets Held for Sale are valued at Fair Value as at 31<sup>st</sup> March 2016. Analysis of the relevant valuation techniques classifies these assets as Level 2 (see Note 14).

## 18. Inventories

Inventories consist mainly of goods for sale at the museums and Town Hall Tourist Information Centre and stationery and print supplies.

# Notes to the Accounts

## 19. Debtors

At 31 March 2015 £'000		At 31 March 2016 £'000
4,047	Central Government Bodies	1,299
7	Other Local Authorities	28
	<b>Other entities and Individuals:</b>	
1,172	Housing Rents arrears	1,134
(375)	Less Impairment Allowance	(459)
<b>797</b>	<b>Housing arrears net</b>	<b>675</b>
2,003	Council Tax and Business Rates	2,083
(1,045)	Less share of impairment allowances	(1,157)
<b>958</b>	<b>Council Tax and Business Rates net</b>	<b>926</b>
856	Rent allowances and rebates	967
562	Leaseholder rent arrears	486
466	Payments in advance	369
990	Other miscellaneous debtors	2,522
(549)	Less Impairment Allowance	(807)
<b>2,325</b>	<b>Other net</b>	<b>3,537</b>
<b>8,134</b>	<b>Total</b>	<b>6,465</b>

# Notes to the Accounts

## 20. 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:

<b>At 31 March 2015 £'000</b>		<b>At 31 March 2016 £'000</b>
3	Cash held by the Council	3
642	Bank Current Accounts	(264)
7,958	Short-term deposits	14,328
<b>8,603</b>	<b>Total Cash and Cash equivalents</b>	<b>14,067</b>

## 21. Creditors

<b>At 31 March 2015 £'000</b>		<b>At 31 March 2016 £'000</b>
555	Central government bodies	830
981	Other local authorities	1,830
6,722	Other entities and individuals	6,242
1,284	Receipts in advance	1,125
<b>9,542</b>	<b>Total</b>	<b>10,027</b>

'Other entities and individuals' included amounts owing to suppliers of goods and services.

## 22. Other Long Term Liabilities and Provisions

### 22.1 Long Term Liabilities

The Council holds deposits for commercial premises. The long term portion of the deposits amounts to £191k and relates to leases expiring between 3 and 16 years from the Balance Sheet Date.

# Notes to the Accounts

## 22.2 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.

<b>Provisions: Business rate Appeals</b>	
	<b>£'000</b>
<b>Balance at 1 April 2015</b>	<b>2,505</b>
Additional provisions made	1,548
Amounts used	(360)
<b>Balance at 31 March 2016</b>	<b>3,693</b>
<b>Made up of:</b>	
Long Term provisions	3,215
Short Term Provisions	478

## 23. Usable Reserves

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

## 24. 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.

<b>2014/2015</b>		<b>2015/2016</b>
<b>£'000</b>		<b>£'000</b>
(229,013)	Revaluation Reserve	(303,343)
(194,475)	Capital Adjustment Account	(193,163)
48,406	Pensions Reserve	42,481
(166)	Deferred Capital Receipts Reserve	(152)
3,480	Collection Fund Adjustment Account	2,345
<b>(371,768)</b>	<b>Total Unusable Reserves</b>	<b>(451,832)</b>



# Notes to the Accounts

## 24.1 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.

2014/2015		2015/2016
£'000		£'000
<b>(167,743)</b>	<b>Balance at 1 April</b>	<b>(229,013)</b>
(63,317)	Upward revaluation of assets	(77,416)
43	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-
<b>(63,274)</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or deficit on the Provision of Services</b>	<b>(77,416)</b>
1,216	Difference between fair value depreciation and historical cost depreciation transferred to the Capital Adjustment Account	1,787
788	Accumulated gains on assets sold or scrapped	1,299
<b>2,004</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>3,086</b>
<b>(229,013)</b>	<b>Balance at 31 March</b>	<b>(303,343)</b>

A correction has been made to the comparative figure for the upward revaluation of assets. In 2014/2015 the figure reported was £68,553k. This is a typographical correction and does not impact on the actual balances on the main Balance Sheet, the adjusting entry being to the Capital Adjustment Account.

# Notes to the Accounts

## 24.2 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 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 7 provides details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

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 7.

2014/2015 £'000		2015/2016 £'000
17,295	<b>Net written out amount of the cost of non-current assets consumed in the year (per the Capital Adjustment Account)</b>	16,564
1,216	Add back amount transferred to the Revaluation Reserve	1,787
788	Add back accumulated gains on assets sold or scrapped	1,299
(2,338)	Less Capital Grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,240)
16,961	<b>Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (per note 7)</b>	18,410

# Notes to the Accounts

## 24.2 continued

2014/2015	Capital Adjustment Account	2015/2016
£'000		£'000
(190,959)	<b>Balance as At 1 April</b>	(194,475)
	<b><i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i></b>	
8,575	Charges for depreciation and impairment of non current assets	8,803
466	Movements in the market value of Investment Properties debited or credited to the comprehensive Income and Expenditure Statement	(725)
(3,913)	Revaluation losses on Property, Plant and Equipment	(1,020)
42	Amortisation of Intangibles	100
1,573	Revenue expenditure funded from capital under statute	1,203
12,556	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	11,289
<b>19,299</b>	<b>Sub-total charges</b>	<b>19,650</b>
(1,216)	Difference between fair value depreciation and historical cost depreciation transferred to the Revaluation Reserve	(1,787)
(788)	Accumulated gains on assets sold or scrapped	(1,299)
<b>17,295</b>	<b>Net written out amount of the cost of non -current assets consumed in the year</b>	<b>16,564</b>
	<b><i>Capital Financing applied in the year:</i></b>	
(2,362)	Use of the Capital Receipts Reserve to finance new capital expenditure	(1,834)
(5,475)	Use of Major Repairs Reserve to finance new capital expenditure	(5,621)
(2,338)	Capital Grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,240)
(821)	Application of grants to capital financing from the Capital Grants Unapplied Account	(59)
(5,519)	Direct Revenue Financing	(3,625)
(3,500)	Housing debt repayment provision	(2,000)
(796)	Statutory provision for the financing of capital investment charged against the General Fund	(873)
<b>(20,811)</b>	<b>Sub-total capital financing</b>	<b>(15,252)</b>
<b>(194,475)</b>	<b>Balance at 31 March</b>	<b>(193,163)</b>

A correction has been made to the 2014/2015 opening balance of the Capital Adjustment Account. In 2014/2015 the opening balance reported was £185,723k. This is a typographical correction and does not impact on the actual balances on the main Balance Sheet, the adjusting entry being posted to the Revaluation Reserve.

# Notes to the Accounts

## 24.3 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.

2014/2015 £'000	Pensions Reserve	2015/2016 £'000
44,566	<b>Balance at 1 April</b>	48,406
2,733	Remeasurements of the net defined benefit liability	(7,006)
3,915	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	4,047
(2,808)	Employer's pensions contributions and direct payments to pensioners payable in the year	(2,966)
<b>48,406</b>	<b>Balance at 31 March</b>	<b>42,481</b>

## 24.4 Deferred Capital Receipts Reserve

This amount represents the funding of advances made to external borrowers, for example mortgage loans. It is reduced annually as amounts are repaid by the external borrowers.

2014/2015 £'000	Deferred Capital Receipts Reserve	2015/2016 £'000
(151)	<b>Balance at 1 April</b>	(166)
(30)	Capital Loan	-
	Capital Repaid	
4	Mortgages	4
11	Loan	10
<b>(166)</b>	<b>Balance at 31 March</b>	<b>(152)</b>

# Notes to the Accounts

## 24.5 Collection fund Adjustment Account

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 tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2014/2015			Collection Fund Adjustment Account	2015/2016		
Council Tax £'000	Business Rates £'000	Total £'000		Council Tax £'000	Business Rates £'000	Total £'000
(239)	1,687	1,448	Balance at 1 April	(305)	3,785	3,480
(66)	2,098	2,032	Movement on account	(13)	(1,122)	(1,135)
(305)	3,785	3,480	Balance at 31 March	(318)	2,663	2,345

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.

## Notes to the Accounts

### 25. 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:

2014/2015 £'000		2015/2016 £'000
	<b>Non Cash Transactions</b>	
4,656	Depreciation and impairments	7,784
42	Amortisations	100
1,106	Pension fund adjustments	1,081
12,555	Carrying amount of non-current assets sold	11,289
(1)	(Increase)/decrease in stock	3
194	(Increase)/decrease in debtors	(30)
2,390	(Decrease)/increase in provisions	464
482	(Decrease)/increase in creditors	55
<b>21,424</b>	<b>Total non-cash movements</b>	<b>20,746</b>

### 26. Cash Flow Statement – Adjustments for Financing and Investing Activities

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

2014/2015 £'000		2015/2016 £'000
-	Proceeds from short-term and long-term investments	1
(5,389)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7,014)
(2,359)	Capital grants credited to the surplus or deficit on the provision of services	(1,582)
<b>(7,748)</b>	<b>Net adjustment</b>	<b>(8,595)</b>

The net cash flow from operating activities for 2015/2016 includes interest received of £146k (2014/2015 £158k) and interest paid of £5,170k (2014/2015 £5,230k).

## Notes to the Accounts

### 27. Cash Flow Statement – Investing Activities

2014/2015 £'000		2015/2016 £'000
(19,270)	Purchase of property, plant and equipment, investment property and intangible assets	(13,801)
(101,150)	Purchase of short-term and long-term investments	(130,250)
5,374	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	6,028
106,150	Proceeds from short-term and long term investments	125,250
2,215	Capital grants received	1,324
<b>(6,681)</b>	<b>Net cash flows from investing activities</b>	<b>(11,449)</b>

### 28. Cash Flow Statement – Financing Activities

2014/2015 £'000		2015/2016 £'000
(3,500)	Repayment of Short-Term and Long-Term Borrowing	(2,000)
(700)	Council Tax and NNDR adjustments	4,207
<b>(4,200)</b>	<b>Total cash flow from financing activities</b>	<b>2,207</b>

# Notes to the Accounts

## 29. Amounts Reported for Resource Allocation

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across services organised according to the management structure. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).
- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year.
- Expenditure on some support services is budgeted for centrally and not charged to other services.

This enables budget managers to concentrate on controllable costs within their sphere of operations.

The income and expenditure of the Council's principal services reported by Service Manager for the year is as follows:

<b>Income and Expenditure 2015-16</b>							
	<b>Community Services £'000</b>	<b>Planning and Building Control £'000</b>	<b>Housing Services £'000</b>	<b>Legal, Democratic and Regulatory Services £'000</b>	<b>Finance and Internal Audit £'000</b>	<b>HR, Customer Services and IT £'000</b>	<b>Total £'000</b>
Fees, charges & other service income	(5,443)	(1,519)	(29,596)	(4,375)	(311)	(62)	<b>(41,306)</b>
Government grants	(71)	(90)	(33,726)	(215)	(262)	-	<b>(34,364)</b>
<b>Total Income</b>	<b>(5,514)</b>	<b>(1,609)</b>	<b>(63,322)</b>	<b>(4,590)</b>	<b>(573)</b>	<b>(62)</b>	<b>(75,670)</b>
Employee expenses	2,730	2,727	3,367	2,672	1,735	1,772	<b>15,003</b>
Other operating expenses	10,043	936	40,512	2,781	548	1,292	<b>56,112</b>
<b>Total Expenditure</b>	<b>12,773</b>	<b>3,663</b>	<b>43,879</b>	<b>5,453</b>	<b>2,283</b>	<b>3,064</b>	<b>71,115</b>
<b>Net (Income)/Expenditure</b>	<b>7,259</b>	<b>2,054</b>	<b>(19,443)</b>	<b>863</b>	<b>1,710</b>	<b>3,002</b>	<b>(4,555)</b>



# Notes to the Accounts

## 29. continued

The comparative figures for 2014/2015 are:

Income and Expenditure							
2014-15							
*Restated							
	Community Services £'000	Planning and Building Control £'000	Housing Services £'000	Legal, Democratic and Regulatory Services £'000	Finance and Internal Audit £'000	HR, Customer Services and IT £'000	Total £'000
Fees, charges & other service income	(5,312)	(1,579)	(28,885)	(4,210)	(276)	(73)	<b>(40,335)</b>
Government grants	(99)	(60)	(33,666)	(66)	(302)	-	<b>(34,193)</b>
<b>Total Income</b>	<b>(5,411)</b>	<b>(1,639)</b>	<b>(62,551)</b>	<b>(4,276)</b>	<b>(578)</b>	<b>(73)</b>	<b>(74,528)</b>
Employee expenses	2,635	2,398	3,310	2,465	1,685	1,628	<b>14,121</b>
Other operating expenses	10,880	801	40,357	3,157	452	1,292	<b>56,939</b>
<b>Total Expenditure</b>	<b>13,515</b>	<b>3,199</b>	<b>43,667</b>	<b>5,622</b>	<b>2,137</b>	<b>2,920</b>	<b>71,060</b>
<b>Net (Income)/Expenditure</b>	<b>8,104</b>	<b>1,560</b>	<b>(18,884)</b>	<b>1,346</b>	<b>1,559</b>	<b>2,847</b>	<b>(3,468)</b>

The 2014/2015 figures have been re-stated to reflect the change in treatment of grants as explained in note 11. The New Homes Bonus grant of £2,362k and the Council Tax Freeze Grant of £106k were previously included in Finance and Internal Audit, Government Grants. They are both now included in Corporate Amounts, Grants in the Reconciliation to Subjective Analysis below.

### Reconciliation of Service Income and Expenditure to cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2014-2015 *Restated £000's		2015-2016 £000's
(3,468)	Net income in the Service analysis	(4,555)
1,827	Net expenditure of services and support services not included in the analysis	2,187
4,711	Amounts in the Comprehensive Income & Expenditure Statement not reported to management in the analysis	7,905
36	Amounts included in the analysis not included in the Comprehensive Income & Expenditure Statement	46
<b>3,106</b>	<b>Cost of Services in Comprehensive Income &amp; Expenditure Statement</b>	<b>5,583</b>

# Notes to the Accounts

## 29. continued

\* The restatements relate to:

- the re-allocation of government grant income of £2,468k from 'Net income in the Service analysis' to 'Amounts in the Comprehensive Income & Expenditure Statement not reported to management in the analysis'.
- An adjustment to the Trading Account, see note 30.

Services not included in the service analysis are services that account for less than 10% of the total gross income or expenditure.

Amounts not in the Service Manager analysis above are detailed in the reconciliation to the subjective analysis (various cost allocations) below and include the depreciation, impairment and revaluation of assets and support service recharges.

Amounts included in the analysis but not in the CI&E Cost of Services are included in the CI&E Financing and Investment Income and Expenditure detailed in Note 10 to the Accounts.

### **Reconciliation to Subject Analysis**

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

# Notes to the Accounts

## 29. continued

2015-2016								
	Service Analysis £'000	Services not in Main Analysis £'000	Not reported to Management £'000	Not included in COS in Cl&ES £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000	Note
Fees, charges & other service income	(41,306)	(157)	-	1,308	(40,155)	(1,308)	(41,463)	
Service charges	-	-	(10,302)	-	(10,302)	-	(10,302)	
Interest and investment income	-	-	-	-	-	(154)	(154)	10
Other capital receipts and income	-	-	-	-	-	(81)	(81)	9
Income from council tax	-	-	-	-	-	(12,692)	(12,692)	11
Income from business rates	-	-	-	-	-	(1,313)	(1,313)	11
Government grants and contributions	(34,364)	(105)	-	-	(34,469)	(7,483)	(41,952)	35
<b>Total Income</b>	<b>(75,670)</b>	<b>(262)</b>	<b>(10,302)</b>	<b>1,308</b>	<b>(84,926)</b>	<b>(23,031)</b>	<b>(107,957)</b>	
Employee expenses	15,003	886	-	(327)	15,562	327	15,889	
Other service expenses	56,112	1,563	-	(563)	57,112	563	57,675	
Support Service recharges	-	-	10,298	(306)	9,992	306	10,298	
Revaluation gains, depreciation, amortisation and impairment	-	-	7,885	(66)	7,819	(659)	7,160	
Interest Payments	-	-	-	-	-	5,157	5,157	10
Pension adjustment	-	-	-	-	-	1,494	1,494	10
Precepts & Levies	-	-	-	-	-	2,350	2,350	9
Payments to Housing Capital	-	-	-	-	-	998	998	9
Receipts Pool	-	-	-	-	-	-	-	
Gain or Loss on Disposal of Fixed Assets and derecognition of replaced asset components	-	-	-	-	-	4,357	4,357	9
Non-Distributed Costs	-	-	24	-	24	-	24	
<b>Total Operating Expenses</b>	<b>71,115</b>	<b>2,449</b>	<b>18,207</b>	<b>(1,262)</b>	<b>90,509</b>	<b>14,893</b>	<b>105,402</b>	
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(4,555)</b>	<b>2,187</b>	<b>7,905</b>	<b>46</b>	<b>5,583</b>	<b>(8,138)</b>	<b>(2,555)</b>	

Corporate amounts are income and expenditure not allocated to Cost of Services and are shown in more detail in Note 9 to 11 of the Notes to the Accounts.

# Notes to the Accounts

## 29. continued

2014-2015 *Restated								
	Service Analysis £'000	Services not in Main Analysis £'000	Not reported to Management £'000	Not included in COS in Cl&ES £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000	Note
Fees, charges & other service income	(40,335)	(128)	-	1,357	(39,106)	(1,356)	(40,462)	
Service charges	-	-	(10,231)	-	(10,231)	-	(10,231)	
Interest and investment income	-	-	-	-	-	(115)	(115)	10
Other capital receipts and income	-	-	-	-	-	(163)	(163)	9
Income from council tax	-	-	-	-	-	(12,500)	(12,500)	11
Income from business rates	-	-	-	-	-	(1,411)	(1,411)	11
Government grants and contributions	(34,193)	(26)	-	-	(34,219)	(8,144)	(42,363)	35
<b>Total Income</b>	<b>(74,528)</b>	<b>(154)</b>	<b>(10,231)</b>	<b>1,357</b>	<b>(83,556)</b>	<b>(23,689)</b>	<b>(107,245)</b>	
Employee expenses	14,121	826	-	(405)	14,542	405	14,947	
Other service expenses	56,939	1,155	-	(602)	57,492	602	58,094	
Support Service recharges	-	-	10,227	(276)	9,951	276	10,227	
Revaluation gains, depreciation, amortisation and impairment	-	-	4,700	(38)	4,662	504	5,166	
Interest Payments	-	-	-	-	-	5,229	5,229	10
Pension adjustment	-	-	-	-	-	1,812	1,812	10
Precepts & Levies	-	-	-	-	-	2,288	2,288	9
Payments to Housing Capital	-	-	-	-	-	834	834	9
Receipts Pool	-	-	-	-	-	-	-	
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	7,360	7,360	9
Non-Distributed Costs	-	-	15	-	15	-	15	
<b>Total Operating Expenses</b>	<b>71,060</b>	<b>1,981</b>	<b>14,942</b>	<b>(1,321)</b>	<b>86,662</b>	<b>19,310</b>	<b>105,972</b>	
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(3,468)</b>	<b>1,827</b>	<b>4,711</b>	<b>36</b>	<b>3,106</b>	<b>(4,379)</b>	<b>(1,273)</b>	

\* The 2014-2015 figures have been re-stated:

- For the change in disclosure of two grants, as discussed earlier in this note. The final Surplus on Provision of Services remains unchanged.
- An adjustment to the Trading Account, see note 30.

# Notes to the Accounts

## 30. 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.

2014/2015	Trading Operations		2015/2016
£'000			£'000
*Restated			
(770)	<b>Markets</b>	Turnover	(705)
954		Expenditure	841
<b>184</b>		<b>Deficit</b>	<b>136</b>
(587)	<b>Commercial Premises</b>	Turnover	(603)
367		Expenditure	420
<b>(220)</b>		<b>Surplus</b>	<b>(183)</b>
<b>(36)</b>	<b>Net (Surplus)/Deficit on Trading Operations</b>		<b>(47)</b>

\* Following a review of the CIPFA “Service Reporting Code of Practice”, Parking Enforcement has been removed from this disclosure. The net deficit of £192k in 2014/15 is not material to the accounts as a whole but is material to the Trading operations and as such 2014/15 figures are restated as follows. The Parking Enforcement figures are now included in Highways and Transport Services on the face of the Comprehensive Income and Expenditure Statement (CI&E), and excluded from Financing and Investment Income and Expenditure on the face of the CI&E, and excluded from note 10.

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement in Financing and Investment Income and Expenditure (see Note 10). The operations are included in the Council’s normal budget and budget monitoring processes but are also under additional scrutiny of the Council’s ‘commercial board’, set up to review operations of a commercial nature. There is on-going work to review income and expenditure of ‘commercial’ activities and changes to operations are made where appropriate.

# Notes to the Accounts

## 31. Members' Allowances

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

2014/2015 £000	Members' Allowances	2015/2016 £000
419	Allowances	420
-	Expenses	1
<b>419</b>	<b>Total</b>	<b>421</b>

## 32. Officers' Remuneration

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

Post Title	Notes	Salary, fees and allowances £'000	Benefits in kind £'000	Total Remuneration excluding pension contributions £'000	Employer's pension contribution £'000	Total Remuneration including pension contributions £'000
Chief Executive and Head of Policy and Partnerships	2015/16	100.9	-	100.9	30.2	131.1
	2014/15	100.0	-	100.0	29.1	129.1
Chief Finance Officer	2015/16	70.4	-	70.4	21.6	92.1
	2014/15	88.6	-	88.6	25.5	114.1
Head of Legal, Democratic Services and Regulatory Services	2015/16	90.4	-	90.4	23.3	113.7
	2014/15	90.0	-	90.0	22.0	112.0
Head of Housing	2015/16	70.4	-	70.4	21.0	91.4
	2014/15	69.2	-	69.2	20.2	89.4
Head of Community Services	2015/16	72.1	3.4	75.4	21.7	97.1
	2014/15	69.8	2.8	72.6	20.2	92.8
Head of Corporate Service	2015/16	72.9	-	72.9	21.6	94.4
	2014/15	69.6	-	69.6	20.2	89.8
Head of Planning and Building Control	2015/16	66.7	-	66.7	19.9	86.6
	2014/15	55.2	-	55.2	16.0	71.2
<b>2015/16 Totals</b>		<b>543.7</b>	<b>3.4</b>	<b>547.1</b>	<b>159.4</b>	<b>706.5</b>
<b>2014/15 Totals</b>		<b>542.4</b>	<b>2.8</b>	<b>545.2</b>	<b>153.2</b>	<b>698.4</b>

The post of Head of Human Resources, Customer Services and IT was renamed Head of Corporate Services during 2015/2016.

The Remuneration of the Head of Legal, Democratic Services and Regulatory Services includes payments relating to acting as returning officer, which the Council consider to be remuneration under the Accounts and Audit Regulations 2015.

## Notes to the Accounts

### 32. continued

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

2014/2015 Number ex. redundancies	2014/2015 Number inc. redundancies		2015/2016 Number ex. redundancies	2015/2016 Number inc. redundancies
		Remuneration		
8	8	£50,000 - £54,999	9	9
1	1	£55,000 - £59,999	2	3
-	-	£60,000 - £64,999	-	-
-	1	£65,000 - £69,999	-	1
-	-	£70,000 - £74,999	-	-
<b>9</b>	<b>10</b>	<b>Total</b>	<b>11</b>	<b>13</b>

### 33. Termination Benefits

The Council terminated the contracts of seven employees in 2015/2016, incurring cost of £155k (£153k in 2014/2015). All redundancies were compulsory and the numbers of exit packages with total cost per band are set out in the table below.

Exit package cost (including special payments)  £'000	Number of compulsory redundancies		Total cost of exit packages in each band	
	2014/15	2015/16	2014/15 £'000	2015/16 £'000
£0 - £20	1	3	9.8	17.4
>£20 - £40	3	3	101.5	92.8
>£40 - £60	1	1	41.3	44.7
<b>Total</b>	<b>5</b>	<b>7</b>	<b>152.6</b>	<b>154.9</b>

# Notes to the Accounts

## 34. 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.

<b>2014/2015</b>		<b>2015/2016</b>
<b>£'000</b>		<b>£'000</b>
82	Fees payable with regard to external audit services carried out by the appointed auditor for the current year	69
(16)	Refund of previous year's audit fee	-
2	Fees payable with regard to additional external audit services carried out by the appointed auditor for the prior year	2
38	Fees payable for the certification of grant claims and returns	14
<b>106</b>		<b>85</b>



# Notes to the Accounts

## 35. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/2016.

2014/2015	Grant Income	2015/2016
*Restated £'000		£'000
	<b>Credited to Taxation and Non specific grant income</b>	
2,642	Revenue support grant	1,968
2,362	New Homes Bonus	3,001
107	Council Tax Freeze grant	107
673	Small Business Rate relief	825
2,360	Capital grants and contributions	1,582
<b>8,144</b>	<b>Sub-Total</b>	<b>7,483</b>
	<b>Credited to services</b>	
32,888	Rent Allowances & Benefits	33,138
41	Council tax benefits	11
398	Benefits Administration Grant	377
209	Contribution to NDR costs	196
106	Council Tax support admin. subsidy	108
73	Council Tax new burdens grant	20
-	Property Searches new burdens grant	149
315	Other contributions	470
<b>34,218</b>	<b>Sub-Total</b>	<b>34,469</b>
<b>42,362</b>	<b>Total</b>	<b>41,952</b>

The 2014/2015 amounts are re-stated as a result of reclassifying the New Homes Bonus and Council Tax Freeze grants as Non-Specific grant income in Taxation and Non-specific grant income (note 11). They were previously reported as grants Credited to services in Cost of Services in the Comprehensive Income and Expenditure Statement.

## Notes to the Accounts

### 35. continued

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:

<b>31 March 2015 £'000</b>	<b>Capital Grants Received in Advance</b>	<b>31 March 2016 £'000</b>
913	Section 106 advances	896
225	Other	95
<b>1,138</b>	<b>Total Grants received in advance</b>	<b>991</b>

### 36. 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 department are set out in Note 35.

#### Officers

During 2015/2016 there were no declarations of pecuniary interest by Council Officers in accordance with section 117 of the Local Government Act 1972.

# Notes to the Accounts

## 36. continued

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2015/2016 is shown in Note 31.

During 2015/2016 the following declarations were made:

- Cllr Farmer was Chairman of Trustees for Druglink. Druglink run a coffee cart from the Civic Centre in St Albans city centre. Druglink are not charged for the space they occupy within the Civic Centre. The Council estimates that the cost of leasing a similar sized site within the city centre would be £4,500 per annum.
- Cllr Harrison is involved with the Centre for Voluntary Services who received support from the Council worth approximately £73,490.
- Cllr Ellis was a board member of Hightown Praetorian and Churches Housing Association. Grants with a total of £117,410 were awarded to this organisation during 2015/2016.
- Cllr Maynard is involved with Home Start a leading family support charity. Grants for £27,960 were awarded to this organisation during 2015/16

All 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.

### Entities Controlled or Significantly Influenced by the Council

The Council manages Clarence Park, which has been set up as a charity, and is incorporated in the Council's accounts.

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 2015/2016 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.

# Notes to the Accounts

## 37. 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.

2014/2015 £'000	Capital financing Requirement	2015/2016 £'000
<b>212,078</b>	<b>Opening Capital Financing Requirement</b>	<b>211,433</b>
	<b>Capital investment</b>	
18,470	Property, Plant and Equipment	12,338
	Heritage Assets	136
122	Intangible Assets	386
1,573	Revenue Expenditure funded from Capital under Statute	1,202
<b>20,165</b>		<b>14,062</b>
	<b>Less Sources of Finance</b>	
2,361	Capital Receipts	1,835
821	Government Grants	868
1,782	Third Party Contributions	259
5,475	Major Repairs Reserve	5,621
555	Leaseholders Recharge	171
780	Revenue contribution to capital general Fund	635
4,740	Revenue contribution to capital HRA	2,990
3,500	Voluntary revenue provision HRA	2,000
796	Minimum revenue provision General Fund	873
<b>20,810</b>		<b>15,252</b>
<b>211,433</b>	<b>Closing Capital Financing Requirement</b>	<b>210,243</b>

2014/2015 £'000	Explanation of movements in year	2015/2016 £'000
(645)	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(1,190)
<b>(645)</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(1,190)</b>

# Notes to the Accounts

## 38. Leases

### Council as a Lessee

The Council uses various office equipment financed using operating leases. The future minimum lease payment due under non-cancellable leases in future years are:

2014/2015 £'000		2015/2016 £'000
18	Not later than one year	18
18	Later than one year and not later than five years	18
<b>36</b>		<b>36</b>

The Council has recognised £18k as an expense in the Comprehensive Income and Expenditure Statement in 2015/2016.

### 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:

2014/2015 £'000		2015/2016 £'000
878	Not later than one year	846
2,856	Later than one year and not later than five years	3,192
4,091	Later than five years	4,119
<b>7,825</b>		<b>8,157</b>

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. In 2014/2015 the rent receivable by the Council was £939k (2013/2014 £1,021k).

# Notes to the Accounts

## 39. 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

### 39. continued

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:

2014/2015 £'000	Transactions Relating to Post Employment Benefits	2015/2016 £'000
	<b>Comprehensive Income and Expenditure Statement</b>	
	<b>Cost of Services:</b>	
2,087	- Current Service Cost	2,529
15	- Past Service Costs (including curtailments)	24
	<b>Financing and Investment Income and Expenditure</b>	
1,812	Net Interest expense	1,494
<b>3,914</b>	<b>Total Post Employment Benefit Charged/(Credited) to the Surplus or Deficit on the Provision of Services</b>	<b>4,047</b>
	<b>Other Post Employment Benefit Charged/(Credited) to the Comprehensive Income and Expenditure Statement</b>	
	<b>Remeasurements of the net defined benefit liability comprising:</b>	
(7,664)	Return on plan assets (excluding the amount included in the net interest expense)	1,371
11,580	Actuarial (gains) and losses arising from changes in financial assumptions	(6,535)
(1,182)	Experience (gain) and losses	(1,842)
<b>2,734</b>	<b>Total Post Employment Benefit Charged/(Credited) to the Comprehensive Income and Expenditure Statement</b>	<b>(7,006)</b>
	<b>Movement in Reserves Statement</b>	
(3,914)	Reversal of net charges made to the Surplus or deficit for the Provision of Services for employment benefits in accordance with the Code	(4,047)
2,808	Actual amount charged against the General Fund Balance for pensions in the year: Employers' contributions payable to the scheme	2,966
<b>(1,106)</b>	<b>Pension costs transferred to/(from) the Pensions Reserve</b>	<b>(1,081)</b>

# Notes to the Accounts

39. continued

## Pension Assets and Liabilities Recognised in the Balance Sheet

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

2014/2015 £'000		2015/2016 £'000
(135,279)	Present Value of the defined benefit obligation	(129,595)
86,873	Fair values of plan assets	87,114
<b>(48,406)</b>	<b>Net liability arising from the defined benefit obligation</b>	<b>(42,481)</b>

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

2014/2015 £'000	Pension Scheme Assets	2015/2016 £'000
77,298	<b>Opening fair value of scheme assets at 1 April</b>	86,873
3,142	Interest income	2,677
	Remeasurement gain/(loss):	
7,664	Return on plan assets, excluding the amount included in the net interest expense	(1,371)
2,808	Contributions from employer	2,966
641	Contributions from employees into the scheme	636
(4,680)	Benefits paid	(4,667)
<b>86,873</b>	<b>Closing fair value of scheme assets at 31 March</b>	<b>87,114</b>

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

2014/2015 £'000	Pension Scheme Liabilities	2015/2016 £'000
121,864	<b>Opening balance at 1 April</b>	135,279
2,087	Current Service Cost	2,529
4,954	Interest Cost	4,171
641	Contributions from scheme participants	636
	Remeasurement (gains)/losses:	
11,580	Actuarial (gains) and losses arising from changes in financial assumptions	(6,535)
(1,182)	Experience (gain)/loss	(1,842)
15	Past service costs	24
(4,680)	Benefits Paid	(4,667)
<b>135,279</b>	<b>Closing balance 31 March 2014</b>	<b>129,595</b>



# Notes to the Accounts

39. continued

## Local Government Pension Scheme Assets Comprised:

As at 31 March 2015			Asset Category	As at 31 March 2016		
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
2,291		2,291	Cash and cash equivalents	2,769		2,769
		-	Equity Instruments by industry type			-
7,671		7,671	Consumer	7,077		7,077
9,087		9,087	Manufacturing	6,457		6,457
2,508		2,508	Energy and utilities	1,514		1,514
7,808		7,808	Financial institutions	6,620		6,620
1,288		1,288	Health and care	1,153		1,153
5,396		5,396	Information technology	4,120		4,120
641		641	Other	201		201
		-	Bonds			-
		-	Corporate (investment grade)			-
		-	UK government			-
		-	Other			-
	3,599	3,599	Private Equity	3,739		3,739
		-	Property			-
		-	UK property	3,891		3,891
		-	Overseas property	2,274		2,274
		-	Investment Funds and Unit Trusts			-
12,482		12,482	Equities	17,684		17,684
23,172		23,172	Bonds	23,853		23,853
376		376	Commodities	412		412
	78	78	Infrastructure	112		112
273	10,393	10,666	Other	5,560		5,560
		-	Derivatives			-
	(188)	(188)	Foreign exchange	(320)		(320)
<b>72,992</b>	<b>13,881</b>	<b>86,873</b>	<b>Totals</b>	<b>87,114</b>	<b>-</b>	<b>87,114</b>

# Notes to the Accounts

39. continued

## 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 2013.

The significant assumptions used by the actuary have been:

31 March 2015	Actuarial Assumptions	31 March 2016
	<b>Long-term expected rate of return on assets in the scheme</b>	
3.1%	Equity investments	3.4%
3.1%	Bonds	3.4%
3.1%	Property	3.4%
3.1%	Cash	3.4%
	<b>Mortality assumptions</b>	
	Longevity at 65 for current pensioners	
22.3	Men	22.3
24.5	Women	24.5
	Longevity at 65 for future pensioners	
24.3	Men	26.7
26.7	Women	
	<b>Financial assumptions</b>	
3.1%	Rate of inflation	
3.5%	Rate of increase in salaries	3.6%
2.1%	Rate of increase in pensions	2.1%
3.1%	Rate for discounting scheme liabilities	3.4%

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.

# Notes to the Accounts

## 39. continued

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

<b>Change in assumptions at 31 March 2016</b>	<b>Approximate % increase to employer liability</b>	<b>Approximate monetary amount £'000</b>
0.5% decrease in Real Discount Rate	9%	12,119
1 year increase in member life expectancy	3%	3,888
0.5% increase in salary increase rate	2%	2,927
0.5% increase in the pension increase rate	7%	9,068

### Impact on the Authority's Cash Flows

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £42.5 million 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 2013), or at any other time as instructed to do so by the administering authority.

The estimated contribution to the scheme in 2016/2017 is £2,292k (2015/2016 is £2,829k).

The weighted average duration of the defined benefit obligation for scheme members at 31 March 2016 is 16.3 years (March 2015 16.3 years).

## 40. 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, have organised how the company can be closed if necessary. How much MMI owes 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, 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 2016 is £433k (31 March 2015 £384k).

# Notes to the Accounts

## 41. 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 £19,074k 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 risk of irrecoverability applies to all the Council's deposits, but there was no evidence at 31 March 2016 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.

# Notes to the Accounts

## 41. continued

The Council generally allows its debtors 14 days credit. Of the £2,238k (2014/2015 £1,451k) outstanding from debtors, £1,919k (2014/2015 £1,299k) is past due and this is analysed by age as follows:

<b>31 March 2015 £'000</b>	<b>Trade Debtors Ageing</b>	<b>31 March 2016 £'000</b>
491	Less than 3 months overdue	760
100	3 to 6 months overdue	157
136	7 months to 1 year overdue	197
572	More than 1 year overdue	805
<b>1,299</b>		<b>1,919</b>

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.

### 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 £189.6 million in 2011/2012 in order to provide the funds to pay for the Housing Self Financing debt and existing Housing debt, taking the total housing debt to £191.1 million. 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 plan and it is considered that planned rental income is sufficient to repay debt when it becomes due. £6.5 million has so far been repaid on due date leaving a balance of £184.6 million owing at 31 March 2016.

The Council has not needed to borrow to fund General Fund capital expenditure.

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

# Notes to the Accounts

## 41. continued

The maturity analysis of financial liabilities is as follows:

<b>31 March 2015 £'000</b>	<b>Maturity Analysis of Financial Liabilities</b>	<b>31 March 2016 £'000</b>
2,000	Less than one year	4,160
4,160	Between one and two years	7,000
22,000	Between two and five years	24,000
59,000	Between five and ten years	65,000
84,500	Between ten and fifteen years	82,916
14,916	Between fifteen and twenty years	1,500
<b>186,576</b>		<b>184,576</b>

All trade and other payables are due to be paid in less than one year.

### Market Risk

#### Interest Rate Risk

The Council has a number of 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 0.51% and if interest rates throughout the year had been 0.5% higher this would have increased the amount of interest earned by £155k.

As mentioned above, all debt is at fixed interest rates ranging from 1.24% to 4.65% (for the longest term debt), with a weighted average rate of 2.78%.

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

## 42. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Authority	Exhibits	Silver	Civic Regalia	Cups and Trophies	Sculptures	War Memorials	Total Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation:</b>							
1 April 2014	4,065	330	44	520	34	263	5,256
<b>31 March 2015</b>	<b>4,059</b>	<b>334</b>	<b>45</b>	<b>520</b>	<b>36</b>	<b>386</b>	<b>5,380</b>
<b>Cost or valuation:</b>							
1 April 2015	4,059	334	45	520	36	386	5,380
Additions	136						136
Revaluation	135	-	-	10	-	-	145
<b>31 March 2016</b>	<b>4,330</b>	<b>334</b>	<b>45</b>	<b>530</b>	<b>36</b>	<b>386</b>	<b>5,661</b>

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 of 2%.

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

# Notes to the Accounts

## 43. Heritage Assets – Further Information on the Museum’s 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.

### Preservation and Management

#### Acquisition and Disposal

The general statements of policy on acquisition and disposal are set out in St Albans Museums Collection Policy. They are those published by Arts Council England, formerly the Museums, Libraries & Archives Council on 4 April 2008. 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 2008*, and intends to adopt subsequent amendments.

#### Preservation and Management – Collections Care

St Albans Museum Service uses the Arts Council England Benchmarks in Collections Care as a top level performance management review tool for assessing its Collection Care and Conservation standards and to assist in developing its Collections Care and conservation programmes. The survey was first undertaken in 2009 and is reviewed annually as part of the Museum’s Service Business Planning.

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.



## HRA Income and Expenditure Statement

The 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.

2014/15	Housing Revenue Account Income and Expenditure Statement	2015/16
£'000		£'000
	<b>Expenditure</b>	
4,258	Repairs and Maintenance	4,072
4,846	Supervision and Management	5,220
208	Rents, Rates, Taxes and other charges	252
6,483	Depreciation and impairment of non-current assets	6,249
(5,088)	Revaluation gains reversing prior year losses charged to the HRA	(1,126)
49	Debt Management costs	52
224	Movement in the allowance for bad debts	273
<b>10,980</b>	<b>Total Expenditure</b>	<b>14,992</b>
	<b>Income</b>	
(26,601)	Dwelling rents	(27,171)
(1,130)	Non-dwelling rents	(1,154)
(583)	Charges for services and facilities	(657)
(279)	Contributions towards expenditure and other grants	-
<b>(28,593)</b>	<b>Total Income</b>	<b>(28,982)</b>
<b>(17,613)</b>	<b>Net (Income)/Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>	<b>(13,990)</b>
213	HRA services' share of Corporate and Democratic Core	216
<b>(17,400)</b>	<b>Net (Income)/Cost of HRA Services</b>	<b>(13,774)</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>	
(2,133)	Gain on sale of HRA non-current assets	(3,012)
5	Change in fair value of Investment Property	-
9,216	Write-off of replaced asset components	7,369
5,226	Interest payable and similar charges	5,154
(67)	Interest and investment income	(72)
281	Net interest on the net defined benefit liability	220
(920)	Capital grants, contributions and other receipts	(573)
<b>(5,792)</b>	<b>(Surplus)/Deficit for the year on HRA services</b>	<b>(4,688)</b>

## Movement on the HRA Statement

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.

2014/2015	Movement on the Housing Revenue Account Statement	2015/2016
£'000		£'000
(3,367)	<b>Balance on the HRA at the end of the previous year</b>	(3,276)
(5,792)	(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement	(4,688)
	<b>Adjustments between accounting basis and funding basis under statute</b>	
4,460	Transfer from the Capital Adjustment Account for the depreciation and impairment of dwellings	1,176
3,500	Transfer to the Capital Adjustment Account for debt repayment provision	2,000
(665)	Transfer to the Capital Adjustment Account for Revenue expenditure funded from capital under statute	(449)
(35)	Contribution from the Capital Receipts Reserve towards the administrative costs of non-current asset disposals	(31)
4,740	Revenue contribution to capital	3,015
2,133	Gain on sale of HRA non-current assets	3,013
(9,216)	Write-off of replaced asset components	(7,369)
835	Capital grants and Contributions	459
85	Other Capital Receipts	114
(169)	HRA share of contributions to or from the Pensions Reserve	(156)
(124)	<b>Net (increase) or decrease before transfers to or from reserves</b>	(2,916)
215	<b>Transfers to or (from) reserves</b>	-
91	<b>(Increase)/decrease in year on the HRA</b>	(2,916)
(3,276)	<b>Balance on the HRA at the end of the current year</b>	(6,192)

# Housing Revenue Account – Notes to the Accounts

## H1. Analysis and Value of the Housing Stock

### a) Number and Types of Dwelling in the Housing Stock

The Council was responsible for managing 4,943 dwellings as at 31 March 2016 as follows:

31 March 2015	Number of Dwellings by Type	31 March 2016
	One bedroom dwellings	
326	- Houses and Bungalows	322
1,167	- Flats	1,148
	Two bedroom dwellings	
520	- Houses and Bungalows	514
864	- Flats	868
	Three bedroom dwellings	
1,913	- Houses and Bungalows	1,900
29	- Flats	30
	Four or more bedroom dwellings	
92	- Houses and Bungalows	93
69	Multi-occupied dwellings	68
<b>4,980</b>		<b>4,943</b>

On 31 March 2016, 2.53% (2015 2%) of lettable properties were vacant.

The change in stock can be summarised as follows:

2014/2015	Dwelling Stock Reconciliation	2015/2016
5,024	Stock at 1 April	4,980
(27)	Less: Right to buy sales	(24)
9	Purchases	6
(26)	Reclassifications and other disposals	(19)
<b>4,980</b>	Stock at 31 March	<b>4,943</b>

# Housing Revenue Account – Notes to the Accounts

H1. continued

## 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<sup>st</sup> April 2015. The valuation is at 'Economic Use Value' reduced by multiplying by a factor to reflect social housing tenancies. The factor is set by central government and is 35% in 2015/2016 (35% in 2014/2015).

<b>31 March 2015 £'000</b>	<b>Housing land, dwellings and other property</b>	<b>31 March 2016 £'000</b>
447,010	Dwellings	487,018
18,598	Other land and buildings	18,315
4,909	Garages	5,512
2,753	HRA shops	3,114
10	Vehicles, Plant and Equipment	9
887	Assets under construction	685
<b>474,167</b>	<b>Total property plant and equipment</b>	<b>514,653</b>
394	Investment Properties	-
351	Assets Held for Sale	206
<b>474,912</b>	<b>Total land, dwellings and other property</b>	<b>514,859</b>

## 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.

<b>At 31 March 2015 £'000</b>	<b>Vacant Possession Value</b>	<b>At 31 March 2016 £'000</b>
<b>1,225,513</b>	<b>HRA Dwellings</b>	<b>1,317,518</b>

# Housing Revenue Account – Notes to the Accounts

## 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:

2014/2015 £'000	Major Repairs Reserve	2015/2016 £'000
<b>(3,645)</b>	<b>Opening Balance 1 April</b>	<b>(4,035)</b>
	Transfer to Reserve in year	
(5,730)	Depreciation Dwellings	(6,150)
(127)	Depreciation Non-Dwellings	(141)
(8)	Other depreciation	(8)
<b>(5,865)</b>	<b>Sub-total</b>	<b>(6,299)</b>
5,475	Used to fund capital expenditure in year	5,621
<b>(4,035)</b>	<b>Closing Balance at 31 March</b>	<b>(4,713)</b>

# Housing Revenue Account – Notes to the Accounts

## H3. Capital Expenditure

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

2014/2015 £'000	Categories of Capital Expenditure	2015/2016 £'000
2,648	Kitchens and bathrooms	1,367
1,486	External walls and roofing	1,219
1,100	Windows and doors	1,153
2,367	Heating, wiring and plumbing	2,064
1,499	Other	1,048
1,829	Property Purchases	1,048
<b>10,929</b>	<b>Council Dwellings Additions</b>	<b>7,899</b>
119	Other land and buildings	545
1,121	Social Housing Development	1,451
632	Disabled Facilities Grants	694
706	Other capital expenditure	449
<b>13,507</b>	<b>Total Capital Expenditure</b>	<b>11,038</b>

- b) This was financed as follows:

2014/2015 £'000	Financing of Capital Expenditure	2015/2016 £'000
5,475	Major Repairs Reserve	5,621
4,740	Revenue Contribution	3,000
2,215	Capital Receipts Reserve	1,754
1,077	Grants and contributions	663
<b>13,507</b>	<b>Total Capital Funding</b>	<b>11,038</b>

- c) The Council has capital contract commitments as at 31 March 2016 of £2,611k relating to Housing Investment Programme schemes.

# Housing Revenue Account – Notes to the Accounts

## H4. Capital Receipts

In accordance with the requirements of the Local Authorities (Capital Finance and Accounting) (England) Regulations, the Council pays a proportion of capital receipts from the disposal of housing assets to the National Pool. In 2015/2016 £998k (£834k 2014/2015) was paid by the Council, which represents 22% (21% 2014/2015) of the capital receipts subject to pooling.

The number of Council property sales was 24 (27 in 2014/2015). 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.

<b>2014/2015</b>	<b>Capital Receipts</b>	<b>2015/2016</b>
<b>£'000</b>		<b>£'000</b>
4,048	Dwelling sales (subject to pooling)	4,588
1,174	Non-poolable receipts	57
<b>5,222</b>	<b>Gross capital receipts</b>	<b>4,645</b>
(35)	Less Costs	(31)
	<b>Payable to National Pool</b>	
(834)	For current year	(998)
<b>4,353</b>	<b>Retained Capital Receipts</b>	<b>3,616</b>

The Housing Capital receipt balance on 31 March 2016 was £19,396k (2015 £15,133k). £6,054k 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 – Notes to the Accounts

## 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

<b>2014/2015</b> <b>£'000</b>	<b>Depreciation</b>	<b>2015/2016</b> <b>£'000</b>
5,647	Dwellings	6,067
83	Multi Occupancy Properties	83
8	Equipment, Vehicles and Intangibles	8
127	Garages	141
<b>5,865</b>	<b>Total Depreciation Charged to the HRA</b>	<b>6,299</b>



# Housing Revenue Account – Notes to the Accounts

## 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 39 to the Core Financial Statements.

2014/2015 £'000	Pension Costs	2015/2016 £'000
	Net Cost of Services:	
297	- Current Service Cost	346
	Net Operating Expenditure:	
281	- Net Interest expense	220
<b>578</b>	<b>Net charge to the HRA</b>	<b>566</b>
	Amounts to be met from Government Grants and Local taxation:	
(169)	- Movement on pensions reserve	(156)
<b>409</b>	<b>Actual amount charged against Council tax for pensions in the year: Employer's contributions payable to the scheme</b>	<b>410</b>

# Movement on the HRA Statement

## H7. Rent Arrears and Bad Debts

### a) Arrears – amounts outstanding from Council Tenants

<b>2014/2015</b>	<b>Council Tenant Rent Arrears</b>	<b>2015/2016</b>
<b>£'000</b>		<b>£'000</b>
1,045	Arrears at 31 March	1,166
4.0%	Rent arrears as a percentage of gross rent income	4.4%

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

<b>2014/2015</b>	<b>Bad Debt Provision</b>	<b>2015/2016</b>
<b>£'000</b>		<b>£'000</b>
345	Bad debts provision at 1 April	375
(194)	Debts written off in the year	(136)
224	Increase/(decrease) in provision	220
<b>375</b>	<b>Bad debt provision at 31 March</b>	<b>459</b>

## H8. Rent Rebates

Assistance with rents for those on low incomes is available under the Housing Benefits Scheme. In 2015/2016, 48.6% (2014/2015 50%) 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.

## H9. Revenue Expenditure funded from Capital Under Statute

An amount of £88k has been credited (2014/2015 £80k) to the HRA cost of services being the net of the cost of capital expenditure chargeable to leaseholders and the amount invoiced to leaseholders. This has been reversed out to the Capital Adjustment Account in the Movement on the HRA Statement. The charge or credit arises due to a timing difference between the work being completed and invoiced.

# 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.

2014/2015			Collection Fund Income and Expenditure Account 2015/2016				
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total	
£'000	£'000	£'000	Note	£'000	£'000	£'000	
			<b>Income</b>				
-	(89,228)	(89,228)	C1	-	(91,700)	(91,700)	Council tax receivable
(62,947)	-	(62,947)	C2	(64,453)	-	(64,453)	Business rates receivable
301	-	301		93	-	93	Less Transitional payment protection payable
<b>(62,646)</b>	<b>(89,228)</b>	<b>(151,874)</b>		<b>(64,360)</b>	<b>(91,700)</b>	<b>(156,060)</b>	<b>Total Income</b>
			<b>Expenditure</b>				
			<b>Precepts, Demands and shares:</b>				
6,211	66,161	72,372		6,317	67,894	74,211	Hertfordshire County Council
-	8,741	8,741		-	8,795	8,795	Police and Crime Commissioner for Hertfordshire
24,843	12,239	37,082		25,266	12,362	37,628	St Albans District Council (including Parishes)
31,054	-	31,054		31,583	-	31,583	Central Government
			<b>Charges to Collection Fund</b>				
197	-	197		196	-	196	Costs of collection
114	187	301		249	105	354	Write-offs of uncollectable amounts
47	44	91		156	143	299	Allowance for impairment
5,374	-	5,374		3,870	-	3,870	Provision for appeals
51	1,390	1,441	C3	(6,081)	2,249	(3,832)	Contributions towards previous year's estimated Collection Fund
<b>67,891</b>	<b>88,762</b>	<b>156,653</b>		<b>61,556</b>	<b>91,548</b>	<b>153,104</b>	<b>Total Expenditure</b>
<b>5,245</b>	<b>(466)</b>	<b>4,779</b>		<b>(2,804)</b>	<b>(152)</b>	<b>(2,956)</b>	<b>Movement on Fund balance</b>
4,218	(1,699)	2,519		9,463	(2,165)	7,298	Balance at 1 April brought forward
<b>9,463</b>	<b>(2,165)</b>	<b>7,298</b>		<b>6,659</b>	<b>(2,317)</b>	<b>4,342</b>	<b>Balance at 31 March carried forward</b>
			<b>Shares of balance</b>				
946	(1,642)	(696)		666	(1,773)	(1,107)	Hertfordshire County Council
-	(218)	(218)		-	(226)	(226)	Police and Crime Commissioner for Hertfordshire
3,785	(305)	3,480		2,664	(318)	2,346	St Albans District Council (included in reserves)
4,732	-	4,732		3,329	-	3,329	Central Government
<b>9,463</b>	<b>(2,165)</b>	<b>7,298</b>		<b>6,659</b>	<b>(2,317)</b>	<b>4,342</b>	<b>Total carried forward</b>

# Collection Fund – Notes to the Accounts

## 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	518	0.67	347
B	between £40,001 and £52,000	1,667	0.78	1,300
C	between £52,001 and £68,000	6,493	0.89	5,779
D	between £68,001 and £88,000	13,045	1.00	13,045
E	between £88,001 and £120,000	11,306	1.22	13,793
F	between £120,001 and £160,000	8,367	1.44	12,048
G	between £160,001 and £320,000	6,999	1.67	11,688
H	over £320,000	1,142	2.00	2,283
		49,537		60,283
	Less adjustment for non-collection (1.3%)			(784)
	<b>Council Tax Base for 2015/2016</b>			<b>59,499</b>
	Council Tax Base for 2014/2015			59,134

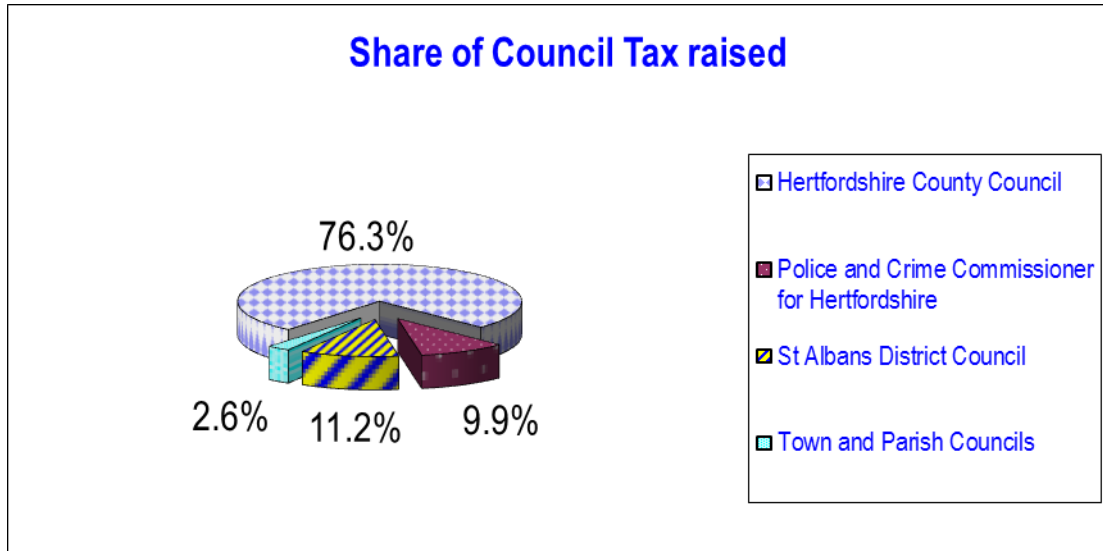
Council Tax Levy at Band D by Precepting Council:

2014/2015	Council Tax Levy at Band D	2015/2016
£1,118.83	- Hertfordshire County Council	£1,141.09
£147.82	- Police and Crime Commissioner for Hertfordshire	£147.82
£168.28	- St Albans District Council	£168.28
£38.69	- Town and Parish Councils	£39.49
<b>£1,473.62</b>	<b>Average Council tax Levy at Band D</b>	<b>£1,496.68</b>

# Collection Fund – Notes to the Accounts

## C1. continued

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.



## C2. Income From Business Rates

Under the Business Rates Retention local authorities retain 50% of the business rates collected for the area and pay the remaining 50% to central government. The percentages retained in the area are St Albans City and District Council 40% and Hertfordshire County Council at 10%. In addition the government has set a level of business rates funding deemed to be applicable to each area and every Council receives a top-up (if business rates collected are below this deemed level of funding) or pays a tariff (if business rates collected are above this deemed level of funding). The Council paid a tariff of £23.5 million in 2015/16 (2014/2015 £23.1 million).

The government has also stated that no local authority will suffer a reduction in business rate income of more than 7.5% of its Business Rates funding baseline. St Albans City and District Council qualified for this safety net payment and expects to be refunded £870k (2014/2015 £1.7 million from central government for 2015/2016. This has been accrued as income in the 2015/2016 Accounts.

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

## Collection Fund – Notes to the Accounts

### C2. continued

2014/2015	Business Rate Factors	2015/2016
£ 152,775,344	Rateable value at 31 March as notified by the Valuation Office Agency	£ 154,047,885
48.2p	Business Rate multiplier	49.3p
47.1p	Small business rate multiplier	48.0p

### 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.

2014/2015			Precepting Authorities	2015/2016		
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000
5	1,054	1,059	Hertfordshire County Council	(608)	1,706	1,098
-	140	140	Police and Crime Commissioner for Hertfordshire	-	226	226
20	196	216	St Albans District Council	(2,432)	317	(2,115)
26	-	26	Central Government	(3,041)	-	(3,041)
<b>51</b>	<b>1,390</b>	<b>1,441</b>	<b>Total surplus/(deficit)</b>	<b>(6,081)</b>	<b>2,249</b>	<b>(3,832)</b>

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

# Annual Governance Statement

ST ALBANS CITY AND DISTRICT COUNCIL - ANNUAL GOVERNANCE STATEMENT 2015-16

## Scope of responsibility

St Albans City and District Council (the Authority) 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 also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

In discharging this overall responsibility, the Council is responsible for putting in place proper governance of its affairs, the effective exercise of its functions, and carefully managing risk.

This Annual Governance Statement explains how the Council has governed itself and also how it meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of such a statement.

## The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values, by which the Authority is directed and controlled. This includes the activities through which it engages with, leads and accounts to the community. It enables the Authority to monitor the achievement of its strategic objectives of appropriate, cost effective services and activities in line with its policy and budget framework.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is a process designed to identify and prioritise the risks to the achievement of the Council's policies and priorities. Its aim is to evaluate the likelihood of those risks being realised, and the impact should they be realised, and to manage them economically, efficiently and effectively.

The financial management arrangements for the Authority and the role of the S151 Officer who is the Deputy Chief Executive (Finance) are detailed as appropriate below.

The governance framework described in this statement has been in place at St Albans City and District Council for the year ended 31 March, 2016 and up to the date of approval of the statement of accounts.

# Annual Governance Statement

## The Council's governance arrangements

St Albans City and District Council has a clear statement of its purpose and vision and what it intends to deliver for citizens and service users. They are implemented through the corporate and service planning processes of the Council.

The vision and priorities of the Council are reviewed annually. A refreshed corporate plan for 2015-16 was presented to and approved by Cabinet and Council in November 2014 and December 2014.

The Council's priorities provide the basis for the organisation's corporate, budget and service planning. All decision making takes account of the vision and priorities – reports to Councillors always refer to them and how a particular issue will have an effect on them. Residents are made aware of them through reporting in the Council's news sheet (Community News), posters, leaflets, and the Council website. They are promoted internally through new staff and councillor induction and staff briefings at team and organisational levels.

The priorities of the Council provide a framework within which service delivery is carried out. The quality of Council services is measured and reviewed through performance indicators which are reported to the Council's Cabinet, its Internal Performance Scrutiny Committee and the Chief Executive's Board. A priority project tracker is used to monitor progress on the key priorities and the Council have increased the time/resource spent on project management.

In the year ended 31 March 2016 the performance indicators were reported to the Council's Internal Performance Scrutiny Committee. For the year ending 31 March 2017 the indicators are expected to be reported, as appropriate, to the Planning, Resources and Housing Scrutiny Committee or to the Community, Environmental and Leisure Scrutiny Committee.

Service levels and quality are also monitored more generally through the Authority's complaints procedure; comments and compliments; feedback from Councillors and service planning/reviewing (internal service reviews and scrutiny reviews). Contracts and service level agreements are set in place with organisations which provide services on behalf of the Council. Arrangements are in place to monitor contracts and service levels at member and officer level.

Running the Council is a joint endeavour. The Council's policy is decided by Councillors (members), with advice from Officers, based on elected members' community leadership and representation of the District's needs. The Council's strategies, setting out how those policies should be enacted, are developed by members and officers working in partnership.

The Council sets the Budget and Corporate Plan, before February each year. Operational management of the Council, based upon its strategies, is undertaken by officers, in consultation with elected members.

The Constitution includes financial regulations and a scheme of delegation which defines financial decision making, and these are regularly updated.



# Annual Governance Statement

Changes to the annual budget agreed by Council can be made as follows:

Less than £25,000	by a Head of Service following notification to the Deputy Chief Executive (Finance) and the appropriate Portfolio Holder where these exceed £1,000
Between £25,000 and £50,000	by the Portfolio Holder
Between £50,001 and £100,000	By Cabinet
Above £100,000	by Council

Detail about roles and responsibilities of members and officers, and the split between executive functions which are exercised by Cabinet members and non-executive functions is given in the Constitution. Also, detail about officer roles is given in job descriptions, which are used in performance management of the individuals involved. In particular, the scheme of delegation, reserve powers, and schedule of matters reserved for collective decision, are all set out in the Constitution.

Decision making in St Albans is a process that involves the consideration and reflection of appropriate legal and financial advice, either regarding a specific decision, or by means of the constitutional frameworks described above.

Within the Council's operations there is a specific approach to key and significant decisions. A key decision is defined as one which:

- (a) will result in expenditure or savings which are significant in relation to the budget of the service concerned; or
- (b) has a significant impact on people living or working in two or more wards.

There will however be some operational matters/decisions where the officers are aware that there is a high public profile or significant political dimension, which do not meet the definition of "key". These are called significant decisions and are recorded and published.

The role of scrutiny is set out fully in the Constitution and supporting documentation. Training is given to staff and councillors, as necessary and relevant, on scrutiny roles and responsibilities.

The two Scrutiny Committees support the work of the Cabinet and the Council as a whole. They allow citizens to have a greater say in Council matters by holding public inquiries into matters of local concern. These lead to reports and recommendations which advise the Cabinet and the Council as a whole on its policies, budget and service delivery. Scrutiny Committees also monitor the decisions of the executive. They can 'call-in' a key decision which has been made but not yet implemented. This enables them to consider whether the decision is appropriate. They may recommend that the Cabinet or other decision taker reconsider the decision. They may also be consulted by the Cabinet or Council on forthcoming decisions and the development of policy. The Scrutiny Committees may convene working parties to assist them in their workload.

# Annual Governance Statement

The member/officer relationship is subject to a protocol which is distributed to all members and staff and is the subject of induction training. This is set out in the Constitution. Officers' behaviour is subject to the Officers' Code of Conduct. Performance of members is subject to the Members' Code of Conduct. There is also a complaints procedure for concerns about Councillors.

As well as the financial, legal and audit regulations in place, other arrangements for monitoring in the Authority include contract and procurement, whistle blowing, anti-fraud, bribery and corruption policies and procedures. Contracts over £250,000 are monitored in relation to contract procedures by the Audit Committee. The Council will adhere to the CIPFA code on Fraud and Corruption.

The Council's complaints procedure ensures that service users and citizens are able to seek redress if they are dissatisfied with the Council. The procedure is publicised through a leaflet and on the Council's website. There is a Complaints Monitoring Officer in each Council department. Complaints and compliments figures are reported regularly to the Council's senior managers and Overview and Scrutiny committees. There is a corporate database in place for consistent recording of complaints and monitoring to identify and address recurring complaints.

The Authority has systems and processes in place to ensure that staff and Councillors are supported in their work. When people join the Authority, induction programmes are provided, for both officers and members. Through appraisal and the Authority's training and development planning processes, officers are offered training and support to ensure the skills for their roles are current. Training is tailored to individual roles and responsibilities.

Training is also offered to Councillors as relevant to their roles (licensing, planning, audit, standards, media awareness etc.), in face to face/group settings. Electronic copies of training (PowerPoint or video) are made available to Councillors should they be unable to attend a course. All Councillors receive training and yearly updated information on the Constitution, the structure and workings of the Council, roles and responsibilities and the Members' Code of Conduct. All Councillors are offered the opportunity to attend conferences and seminars on individual areas of special interest or responsibility. All Councillors have access to the Members' area on the Local Government Association and New Local Government Network (NLGN) websites. All Councillors also have access to the Council's Members' microsite which contains information on the district and Council and policies relevant to Councillors. The Council's annual elected member training programme is updated and communicated to Councillors via the Council's monthly Member Information Bulletin and through regular email updates. Councillors are offered personal development planning and they are regularly asked to identify any training needs they might have. This has helped the Council to achieve Elected Member Development Charter status.

# Annual Governance Statement

When members are elected to the Authority, they are assigned a Head of Service “buddy” who helps them navigate through the organisation and give advice and support on any aspect of the member role.

The Council has linked achievement of key targets as set out in the Corporate Plan to appraisal targets for all staff. A management competency framework to provide clarity and consistency for management and leadership standards across the Council is in place. This includes arrangements for mentoring and coaching as part of core management skills.

The Council communicates information to the public through a variety of mechanisms including the following – Corporate Plan and Budget Strategy, a quarterly ‘Community News incorporating Recycling News’ publication (which once a year includes details of how Council Tax is calculated and spent), websites, service and issue based leaflets and a proactive and reactive communications service. The Council also communicates notices of key decisions, and of intention to hold any meeting in private, as required under the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

Every effort is made for Council meetings to consider issues in public unless there are very good reasons for confidentiality. Currently Part One of Planning meetings, Full Council, Cabinet, Overview and Scrutiny and Audit Committee meetings are webcast to enable the public to view these remotely. In addition, Council on 12 September 2012 made it the default position to meet in public for working parties and task & finish groups as well as committees. This enhances transparency and public scrutiny.

As of January 2014 the default position for the Audit Committee has been that papers shall be presented in Part One of the meeting and only by exception in Part Two. This has meant that reports produced by Internal Audit are now mostly presented in Part One.

Comprehensive arrangements are in place to research citizens’ views and consult them on policies and proposals of the Council. A representative sample of over 900 residents makes up a Community Panel. The Community Panel is consulted on initiatives and projects, using both quantitative and qualitative methodologies.

# Annual Governance Statement

Mechanisms for liaison, consultation and communication with local areas have been set up as part of the Council's review of democratic arrangements, namely the St Albans City Neighbourhoods Committee and an annual parish conference. Through this close liaison with parishes, the Council has been able to transfer a number of assets to Town and Parishes Councils which places them closer to local communities. Other area and topic specific meetings for parks/leisure and specific services, such as housing, ensure that service users are consulted and informed.

Individual service departments have their own approaches to consultation and engagement with users. The planning function's approach to consultation and communication is set out in its statement of community involvement. In particular, this details the approach the Council is using in its Strategic Plan process. Housing initiatives have included participation by tenants on evaluation panels for bids such as renewal of bathrooms and kitchens. Leisure customers' feedback is encouraged and reviewed integrally to the Council's contract process with its service providers.

Efforts are made by the Council to ensure that the Authority as a whole is open and accessible to the community, service users and its staff. Through its Constitution, publication scheme and Freedom of Information responsibilities, and cultivation of a culture of openness, information is made available to the public and others who have a right to see it. There is a presumption of openness unless there is a need to preserve confidentiality, where it is proper and appropriate to do so, for example to protect commercial confidentiality, personal data or for legal reasons.

Staff and their representatives are involved in decision making through a number of processes. Regular and consistent involvement of Unison is a formal mechanism for staff involvement. Regular internal communication and consultation activity around major issues and decisions also takes place.

The Council endeavours to ensure that arrangements in place for partnership working are sound. The Council is the lead organisation of the St Albans District Strategic Partnership, formerly the Local Strategic Partnership ('LSP'). The Strategic Partnership (SP) is a voluntary, rather than statutory partnership. The SP regularly reviews its function, structure and working arrangements. Currently, the Leader of the District Council is the chair, supported by vice chairs from the voluntary and business sectors. Induction briefings are offered to all new members of the SP and an annual planning meeting shapes the work plan for the coming year. Accountability to the community is ensured through the annual Community Conference which has over 100 delegates each year. This is an opportunity for the SP to report progress against the Sustainable Community Strategy and to listen to emerging issues from community representatives.

Thematic partnerships, such as the statutory Community Safety Partnership ('CSP') have terms of reference which refer to the responsibilities of the partnership and individual members. The CSP has been assessed by the Council's external auditor as being of a very high standard and continues to operate effectively.

# Annual Governance Statement

With regards to Internal Audit:

- Internal Audit operate a risk based process to decide which areas to audit;
- The Internal Audit Manager is the Chair of the Council's Anti-Fraud Group;
- Management receive draft Internal Audit reports which are discussed with them and the wording of observations and recommendations agreed;
- The Internal Audit Manager is empowered (in the Terms of Reference for Internal Audit) to seek a meeting with the Chair of the Audit Committee, should he feel the need to do so;
- All final Internal Audit reports issued in 2015-16 were submitted to the Audit Committee for consideration. Members have asked questions to the Internal Audit Manager and officers about the contents of these reports and received responses.
- The Audit Committee monitor the progress made by departments in implementing Internal Audit recommendations.
- The Internal Audit Manager has regular one to one meetings with the Deputy Chief Executive (Finance) and the Chief Executive where issues around (amongst others) risk management, corporate governance and health and safety are discussed.

The Council will ensure that sufficient capacity is available to fully deliver its Internal Audit plan on a timely basis and the Internal Audit Manager has put in place appropriate processes to ensure that the work undertaken by the section is in accordance with the Public Sector Internal Audit Standards 2013.

# Annual Governance Statement

## Review of Effectiveness

St Albans City and District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal audit.

The annual processes applied in maintaining the effectiveness of the governance framework are as follows:

- review of executive decision making (by the Standards Committee);
- review of terms of reference of Committees;
- review of Internal Audit activity (by the Audit Committee) – more information on this is given below;
- action planning as a result of internal and external review processes;
- Annual Reporting to the Council, on overall and specific functions including Overview and Scrutiny.

Regulation 6 of the Accounts and Audit Regulations 2015 requires Local Authorities to review the effectiveness of their system of internal audit once a year and for the findings of the review to be considered by a committee of the Authority (here the Audit Committee) or by the Authority as a whole.

The review of effectiveness is not solely about the Internal Audit Department but about the whole system of internal audit. The review is undertaken by assessing:

- the Internal Audit Department against the requirements of the Public Sector Internal Audit Standards 2013;
- the performance of the Audit Committee;
- Quality Control Questionnaires (QCQs) which Internal Audit issue with every final report;
- statements made by the external auditor;
- Performance Indicators.

Evidence of effectiveness is presented to the Audit Committee including an action plan showing areas where it is found that improvements in effectiveness can be made. The Audit Committee must then determine if it is satisfied that the system of Internal Audit is effective.

# Annual Governance Statement

The review of the effectiveness of the governance system is informed by:

- the work of the Council's Heads of Service and Managers who have responsibility for the development and maintenance of the governance environment;
- the work of the Council's Internal Audit Department including the Annual Report of the Internal Audit Manager which provides assurance in this regard;
- the work of the Council's external auditor – including the annual Audit Result's Report and other reports, especially in relation to financial aspects, and other aspects of the Council's governance;
- review of Risk Registers and the Council's risk strategy;
- consideration of this document by the Council's Heads of Service, Deputy Chief Executive (Finance) and Chief Executive with particular reference to the wider aspects of governance.

The Audit Committee has reviewed the above and found the system of internal control to be effective for 2015-16.

## Significant Governance Issues

Governance issues to be addressed in the following year have been identified as listed below. These draw on the work of Internal Audit and the external auditor.

The work of Internal Audit identified the need for improvements to the recording of the risk of fraud in the Council's risk registers. Actions which have been taken by the Council include:

- The need for a continuing focus by departments on being alert to the risk of fraud. Actions are being taken in respect of this.
- The Council's benefit fraud officers joined the Department for Work and Pensions in June 2015. Their duties with regard to anti-fraud work involving, for example, housing applications, right to buy, single person discount and subletting continue to be responsibilities of the Council. The Council will obtain the services of an anti-fraud officer from another Council to assist in strengthening our anti-fraud work.
- In line with Internal Audit recommendations, processes to verify work undertaken and charges invoiced by contractors have been strengthened.
- In line with previous Internal Audit recommendations, the Council's Health and Safety Policy and processes were reviewed and strengthened. These are subject to continuous monitoring.

# Annual Governance Statement

The work of the external auditor has identified that, as with the majority of local authorities, the Council will face challenges in managing its finances through the next few years, given the continued likelihood of reductions in funding and the need to make savings. The Council's track record in this respect is good, and it has work underway to meet these challenges.

We will monitor the improvements and their operation as part of our next annual review.

Signed:

A handwritten signature in black ink, appearing to read "Julian Hills". The signature is written in a cursive style with a large, prominent 'J' at the beginning.

Leader of the Council

A handwritten signature in black ink, consisting of several stylized, overlapping loops and lines, making it difficult to read.

Chief Executive



# Independent Auditor's Report

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ST ALBANS CITY AND DISTRICT COUNCIL

Opinion on the St Albans City and District Council financial statements

We have audited the financial statements of St Albans City and District Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority Movement in Reserves Statement,
- Authority Comprehensive Income and Expenditure Statement,
- Authority Balance Sheet,
- Authority Cash Flow Statement,
- The related notes 1 to 43
- The Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes H1 to H9
- and Collection Fund and the related notes C1 to C3

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of St Albans City and District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Deputy Chief Executive (Finance) and auditor

As explained more fully in the Statement of the Deputy Chief Executive (Finance)'s Responsibilities set out on page 16, the Deputy Chief Executive (Finance) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

# Independent Auditor's Report

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Deputy Chief Executive (Finance); and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of St Albans City and District Council as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

## Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

# Independent Auditor's Report

## Conclusion on St Albans City and District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

### Authority's responsibilities

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

### Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether St Albans City and District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether St Albans City and District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, St Albans City and District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, St Albans City and District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

# Independent Auditor's Report

## Certificate

We certify that we have completed the audit of the accounts of St Albans City and District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

NEIL. A. HARRIS

Neil Harris (senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Appointed Auditor  
Luton  
29th September 2016

# 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.

## 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.

# Glossary of terms

## 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

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.

# Glossary of terms

## **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 and historical buildings.

## **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.

## **External Auditors**

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

# Glossary of terms

## **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.

## **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.

## **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.



# Glossary of terms

## **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 companies.

## **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.

## **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.

# Glossary of terms

## **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 favorable and unfavorable, which occur between Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible officer.

## **Precepts**

The levy made by one Council on another. Hertfordshire County Council and 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 liability that is likely to be incurred, but the exact amount and date on which it will arise is uncertain.

# Glossary of terms

## **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**

A grant paid by central government 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.

# Glossary of terms

## **Trading Account**

A statement detailing expenditure and income for a discrete activity.

## **Variance**

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