



**St Albans**  
City & District Council

# **Statement of Accounts**

## **2009/2010**

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# Explanatory Foreword to the Statement of Accounts

## 1. Introduction to the Statements of Accounts

1.1 The Council's Statement of Accounts is a statutory document providing information on the overall financial position of the Authority. The purpose of this foreword is to provide a guide to the most significant matters reported in the Council's statements for 2009/2010. The Accounts comprise the following statements that have been prepared in accordance with the Code of Practice on Local Government Accounting in Great Britain (the SORP).

## 1.2 Statements

**Statement of Responsibilities** - sets out the respective responsibilities of the Authority and the Chief Finance Officer for the accounts.

**Statement of Accounting Policies** - explains the basis for recognition, measurement and disclosure of transactions and other events in the accounts.

**The Annual Governance Statement.** The Leader of the Council, Chief Executive and Chief Finance Officer, supported by other senior officers and members, have responsibility to ensure that proper Corporate Governance arrangements are in place throughout the Council. This means having:

- An effective system of Internal Control; and
- Proper management of the risks that might prevent the Council achieving its stated aims, objectives and priority outcomes.

### Core Financial Statements

- a) **Income and Expenditure Account (I&E Account)** – provides a summary of the expenditure and income for the functions for which the Council is responsible and demonstrates how they have been financed.
- b) **Statement of the Movement on the General Fund Balance (SMGFB)** - is a reconciliation statement that summarises the differences, statutory or otherwise, between the outturn on the I&E Account and the movement on the General Fund Balance.
- c) **Statement of Total Recognised Gains and Losses (STRGL)** - brings together all the gains and losses of the Council, including those that do not go through the I&E Account showing how the net worth of the Council has changed during the year.

# Explanatory Foreword to the Statement of Accounts

- d) **Balance Sheet** - summarises the council's assets, liabilities, balances and reserves at the year-end.
- e) **Cash Flow Statement** - summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes.

## Supplementary Statements

- a) **The Housing Revenue Account (HRA) Income and Expenditure Account and Statement of Movement on the HRA Balance** – reflects a statutory obligation to maintain a separate income and expenditure account for council housing.
- b) **The Collection Fund** – reflects the statutory requirement for billing authorities to maintain a separate account that shows the transactions of the Council in relation to Council Tax and National Non-Domestic Rates.

## Key Changes in this Year's Financial Statements

The 2009 SORP contained a number of revisions over the 2008 SORP with the major changes being in respect of accounting for the collection fund, accounting for service concessions IFRIC12, and the disclosure of senior employees' remuneration. These changes are fully reported in the accounts.

### 1.3 Changes in Accounting Policy

Under the 2009 SORP the Council has changed the way in which Council Tax and Business Rates (NNDR) are accounted for. The SORP requires that the council accounts for these items on an agency basis and that Council Tax is accounted for on an accruals basis. The effect on the Statement of Accounts is as follows:

#### NNDR

- In the Balance Sheet, arrears, impairment provision, prepayments and outstanding pooling amounts have been consolidated into one amount owing from central government.
- NNDR collected and NNDR paid over to the National Pool have been removed from the Cash Flow Statement.

#### Council Tax

- Arrears, impairment provision, prepayments and surpluses on the Collection Fund have been allocated to the preceptors (Hertfordshire County Council, Hertfordshire Police Authority and St Albans City and District Council and parishes) in proportion to their precept amounts. This has affected the disclosure of debtors and creditors in the Balance Sheet.
- The full amount of the council's share of the currently year's surplus has been taken to the I&E Account. As this conflicts with statutory requirements, a mitigating entry is made through the SMGFB so that the correct statutory amount is credited to the General Fund.

Prior year figures have been restated where appropriate as a result of these changes.

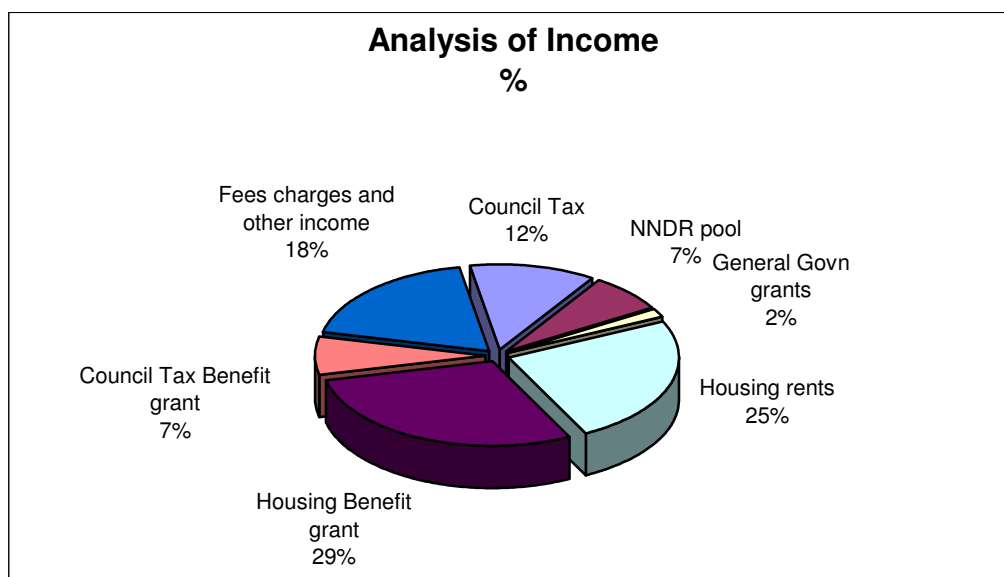
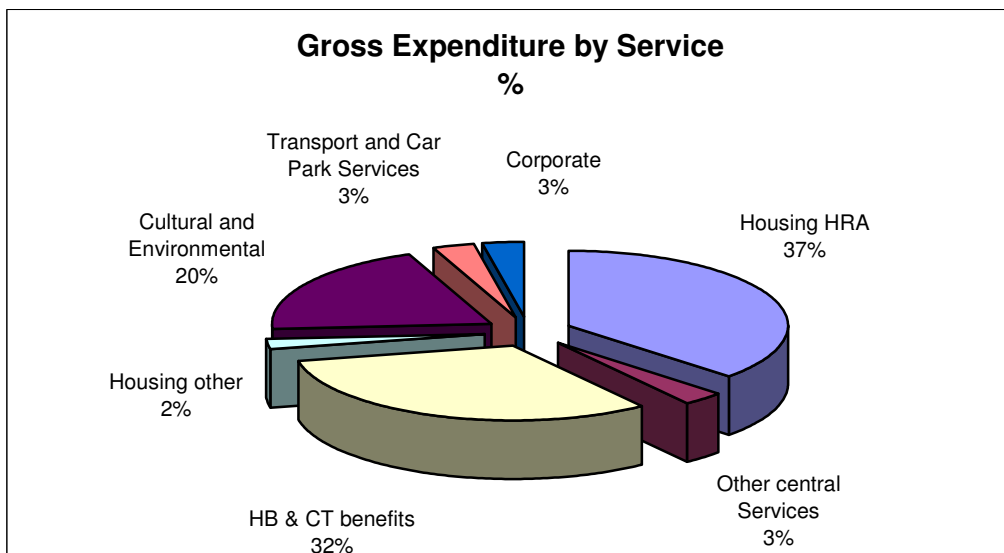
# Explanatory Foreword to the Statement of Accounts

## 2. Revenue Income and Expenditure

### 2.1 Overview

Revenue expenditure is generally on items consumed within one year and used in the day to day running of Council services. It is financed from Council Tax, National Non-Domestic Rates (NNDR) (share from the national pool), rents, Government Grants and charges made to users of services.

Set out below in percentage terms are the main areas on which money has been spent during the year and how it has been paid for.



# Explanatory Foreword to the Statement of Accounts

## 2.2 Income and Expenditure General Fund

The tables below reconcile the approved budget spending to the movement on the General Fund Balance and show the major variances.

	2009/2010 £'000	2009/2010 £'000
Head of Service budgets adjusted for SMGFB items <small>(A guide to the budget is on the SADC website)</small>		18,226
Net operating expenditure per the I&E	43,282	
Less Parish Council Precepts	(2,188)	
Adjusting items per SMGFB	(20,968)	
Add back CF adjustment	21	
Adjusted Net Operating Expenditure		20,147
<b>Overspend at operating expenditure</b>		<b>(1,921)</b>
<b>Income Variances</b>		
Grants and other	28	
Collection Fund Surplus	(60)	
VAT	272	
		240
<b>Movement on the General Fund Balance</b>		<b>(1,681)</b>

The VAT income is a repayment from HMRC of VAT as a result of claims submitted by the Council following a decision by the House of Lords (the 'Fleming case').

	2009/2010 £'000
<b>Overspends</b>	
Planning Appeals	(441)
Building Control - mainly reduction in income	(154)
Development control (includes reduced income)	(201)
Conservation and design savings not achieved	(167)
Interest fall in rates	(349)
Budgeted to be taken from balances	(226)
Provisions	(610)
All other net savings	227
<b>Net Overspend at operating expenditure</b>	<b>(1,921)</b>

## Explanatory Foreword to the Statement of Accounts

The council has made provisions for a claim relating to the collapse of a boundary wall in the City centre and a claim for loss of rent and dilapidations to a leased sports centre.

### 2.3 Income and Expenditure HRA

With effect from April 2009 Council rents were increased by an average of 3.4% in line with the Government's guideline on rent increases. This meant that individual rents increased by between 1.48% and 9.03% depending on what level of rent the tenants had previously paid.

The following table shows the variances between the budgeted HRA deficit and the actual surplus for the year. The table shows that the Council's net spending for 2009/2010 was £17,000 less than originally budgeted. Therefore, the Housing Revenue Account balance increased by £17,000 to £1.180 million.

	2009/2010 £'000
<b>Budgeted HRA deficit</b>	93
<b>Income Variances:</b>	
Rent and other charges to tenants	(109)
Net other income (including grants)	102
<b>Favourable Income Variances</b>	<b>(7)</b>
<b>Expenditure Variances</b>	
Supervision and Management	(74)
Repairs and Maintenance	(9)
Interest payments	(203)
Negative Subsidy payment	60
Net other variances	123
<b>Favourable Expenditure Variances</b>	<b>(103)</b>
<b>Total Favourable Variances</b>	<b>(110)</b>
<b>Increase in the HRA Balance</b>	<b>(17)</b>
<b>HRA surplus brought forward</b>	<b>(1,163)</b>
<b>HRA surplus carried forward</b>	<b>(1,180)</b>

- i) Supporting People grant income fell following the closure of the Ridgeview temporary accommodation facility.
- ii) While the balance between the HRA and the General Fund increased, decreasing interest rates in the year resulted in less interest payable on the debt owing to the General fund.

# Explanatory Foreword to the Statement of Accounts

## 3. Capital Spending and Financing 2009/2010

Capital expenditure is on items that have a benefit for more than one year (e.g. acquisition or enhancement in value of tangible assets).

Capital expenditure is met from the proceeds of sales of land, buildings and other assets, the Major Repairs Allowance for Council dwellings, contributions from external sources (e.g. third parties, lottery grants etc.) and contributions from revenue accounts.

During the year, the Council spent £10.1 million (2008/2009 £13.4million) on capital schemes, with £5.8 million (2008/2009 £6.7 million) of that sum being expended on improvements to Council dwellings. Other Housing expenditure (mainly disabled facility grants) amounted to £1.5million.

£2.8 million (2008/2009 £3.0 million) was spent on General Fund assets, the major expenditure being on Leisure facilities (Westminster Lodge).

The housing property market remained quiet during the year with only seven council houses being sold, the same as for 2008/2009. After paying 75% of the receipts to central government, this left only £0.6million (2008-2009 £0.5 million) available for funding capital schemes.

## 4. Retirement Benefits

The Retirement Benefits net liability in the Balance Sheet of £59 million is a significant figure. It is an estimate of the excess of future pensions payable to past and current employees over the assets held by the fund. The increase in liability over 2008/2009 of £29 million is a combination of an increase in value of the fund assets of £15 million but a larger increase in the actuary's valuation of the scheme's obligation to past and current employees of £44 million. However, the liabilities will be paid out over many years, during which time the assets of the pension fund are expected to generate the necessary returns towards funding them.

## 5. Fixed Asset Valuations

In accordance with Resource Accounting the Housing Assets are revalued annually whilst General Fund Assets are revalued on a rolling 5-year programme.

The combined asset revaluation increased £40 million (£10.1 million decrease in 2008/2009) mainly as a general improvement in values during the year.

## 6. Borrowing Facility and Capital Borrowing

The Council took out a long term loan of £1.5 million from the Public Works Loans Board in March 2010 to assist with the financing of the General Fund capital programme. In addition, the Council has an approved operating overdraft facility of £1 million. The Council also has short-term external investments totalling £5.4 million (2008/2009 £16.7 million).

# Explanatory Foreword to the Statement of Accounts

## 7. Future developments and spending

The Council has, since mid 2009, been preparing budget plans based on a significant reduction in central government grant in order to mitigate against the increasingly difficult financial environment in which the Council operates.

The Council continues to consult with residents and prepare business plans and budgets based on service priorities in line with our aims, which are;

Aim 1 To safeguard the environment

Aim 2: To build a community that is open, fair and inclusive

Aim 3: To work in partnership for the health and well being  
of the community

Aim 4: To cherish and promote our heritage, arts and culture

Aim 5: To ensure the District is a desirable place to visit and  
in which to live, learn and work

Future spending of both a capital and revenue nature will be directed to these priority areas.

## 8. Future Accounting Changes

The Council is preparing for the adoption of International Reporting Standards (IFRS) in 2010/11. Work has been progressing on this, specifically with a view to the need to ultimately restate the 2009/2010 accounts on an IFRS basis.

## 9. Further Information

The Council has a policy of providing full information about its affairs. Further information about the accounts is available from the Chief Finance Officer, District Council Offices, Civic Centre, St Peter's Street, St Albans, AL1 3JE. Financial information is also available on the Council's Website at [www.stalbans.gov.uk](http://www.stalbans.gov.uk). In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press.

The accounts are un-audited.

# Statement of Responsibilities for the Statement of Accounts

## St Albans City and District Council's responsibilities

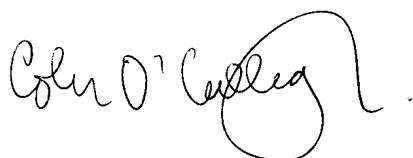
### The Chief Finance Officer's responsibilities

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

In preparing this Statement of Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the code of practice
- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

This Statement of Accounts gives a true and fair view of the financial position of the Authority at the reporting date, and of its expenditure and Income for the year ended 31 March 2010.



**C O'Callaghan**  
Chief Finance Officer

**Date: 28 September, 2010**

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

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for administration of those affairs. In this Authority that officer is the Chief Finance Officer.
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets;
- approve the Statement of Accounts.

The accounts were submitted to and approved by the Audit Committee on 29 June 2010. Subsequently, adjustments have been made to the accounts and the accounts were resubmitted to and approved by the Audit Committee on 28 September 2010.

I confirm that these accounts were approved at the meeting held on 28 September 2010.



**Councillor Chichester-Miles**  
Chair of the Audit Committee

**Date: 28 September 2010**

# Statement of Accounting Policies

## 1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2009-10 Financial year and its position at the year-end 31 March 2010. It has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2009' (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible assets.

## 2. Accruals of Income and Expenditure

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

- Fees and charges due from customers are accounted for as income at the date the Council provides the relevant goods or service.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as stocks on the balance sheet. 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.
- Interest payable on borrowings and receivable on investments is accounted for 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 income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## 3. Provisions

Provisions are made where an event had taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the estimation of likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year; where it becomes 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.

# Statement of Accounting Policies

## 4. Reserves

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

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

## 5. Government Grants and Contributions (Revenue)

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

## 6. Retirement Benefits

Employees of the Council are members of the Local Government Pensions 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 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 high-quality corporate bond (iboxx Sterling Corporate Index, AA over 15 years).

## Statement of Accounting Policies

- The assets of the Hertfordshire Local Government Pension Fund attributable to the Council are included in the balance sheet at 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 pensions liability is analysed into seven components:

- current service costs – increase in liabilities as result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked;
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs;
- interest costs – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account;
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account.
- gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs;
- 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 – debited to the Statement of Total Recognised Gains and Losses;
- 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 Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

### **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.

# Statement of Accounting Policies

## 7. Value Added Tax (VAT)

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

## 8. 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 *Best Value Accounting Code of Practice 2008* (BVACOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received (in terms of employee time spent, running costs and office space used), with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the 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 BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

## 9. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. Assets are valued at cost and are amortised to the relevant service revenue account on a straight-line basis over the economic life of the investment to reflect the pattern of consumption of benefits.

## 10. Tangible Fixed Assets

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

### Recognition

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

# Statement of Accounting Policies

## 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:

- Non-specialised operational properties – existing use value;
- Investment properties, specialised operational assets and surplus assets – open market value.
- Dwellings and other land and buildings– lower of net current replacement cost or net realisable value.
- Vehicles, plant and equipment – historical cost is used as a proxy for current value on the grounds of materiality.
- Specialised operational assets – Market Value. Depreciated Replacement Cost can only be used when there is insufficient evidence of market value in existing use. Infrastructure assets and community assets – depreciated historical cost.

Assets included in the balance sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

## Impairment

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

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account;
- Otherwise – written off against any revaluation gains attributable to the relevant asset in the revaluation reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

# Statement of Accounting Policies

## Disposals

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be 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 Statement of Movement on the General Fund Balance.

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

## Depreciation

Depreciation is provided for on all assets with a determinable finite life, (except for investment properties), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following basis:

- Dwellings and other buildings – straight-line allocation over the life of the property as estimated by the valuer.
- Vehicles, plant and equipment – straight-line allocation over 5 to 10 years as advised by a suitably qualified officer.
- Infrastructure – straight-line allocation over 5 to 10 years as advised by a suitably qualified officer.

Depreciation is not charged on assets purchased in the financial year that the accounts relate to.

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.

## Grants and Contributions

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

# Statement of Accounting Policies

## 11. Charges to Revenue for Fixed Assets

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

- Depreciation attributable to the assets used by the relevant service;
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off;
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Financing Account for the difference between the two.

## 12. 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 fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

## 13. Operating Leases

A Finance Lease is a lease that transfers all the risk and rewards of ownership of an asset to the lessee. Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

# Statement of Accounting Policies

## 14. Financial Liabilities

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

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

## 15. Financial Assets

Financial assets held by the authority 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

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

### Soft Loans

The Council has loans at less than market rates (soft loans). The Council's loans falling into this category relate to the assisted car purchase scheme and loans to employees to purchase travel season tickets the amounts of which are considered immaterial to the accounts.

# Statement of Accounting Policies

## 16. Stocks

Stocks are included in the balance sheet at the lower of cost or net realisable value.

## 17. Accounting for Council Tax and NNDR in an agency role

The 2009 SORP recognises that the Council is acting as an agent in the collection and distribution of council tax and business rates. The council collects and distributes council tax on behalf of itself, Hertfordshire County Council and the Hertfordshire Police Authority and it collects business rates on behalf of the government. This required a change in policy and the council will now account for its share of income and distribution and its share of the amounts owing to or from council tax payers in the Financial Statements. There will also be amounts recognised in the Balance Sheet as a creditor or debtor for:

- a. cash collected from council tax debtors as agent of the major preceptors but not paid to them, or overpaid to them, at the balance sheet date
- b. cash collected from NNDR debtors as agent of the government but not paid to the government, or overpaid to the government, at the balance sheet date.

The effect of the change in policy on the current year's reported balances has been as follows.

	Govnt depts other £'000	Govnt depts NNDR £'000	NNDR arrears £'000	Council Tax arrears £'000	Collection Fund Provision for bad debts £'000	<b>Total Debtors £'000</b>	Receipts in Advance £'000	Other Local Authorities £'000	<b>Total Creditors £'000</b>
<b>Balances 31 March 2010</b>	297	2,589	-	460	(362)	5,257	1,726	380	9,107
<b>Balances on a non- agency basis</b>	2,901	-	1,138	3,277	(2,054)	7,535	4,364	20	11,385

# Income and Expenditure Account

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

Net Expenditure 2008/2009 (Restated)* £'000		Gross Expenditure 2009/2010 £'000	Gross Income 2009/2010 £'000	Net Expenditure 2009/2010 £'000
	<b>Central Services to the public</b>			
(89)	Council Tax Benefit Payments	6,495	(6,507)	(12)
1,891	Other Central Services	3,106	(1,273)	1,833
	<b>Cultural, Environmental and Planning Services</b>			
5,348	Culture and Related Services	7,198	(1,216)	5,982
6,934	Environmental Services	8,118	(1,987)	6,131
2,854	Planning and Development	4,807	(1,636)	3,171
1,018	<b>Transport and Car Park Services</b>	3,110	(2,182)	928
	<b>Housing Services</b>			
41	Housing Benefit Payments	25,229	(25,138)	91
4,014	Other Housing services	2,331	(667)	1,664
30,031	Local Authority Housing (HRA)	37,244	(23,218)	14,026
3,232	<b>Corporate and Democratic Core</b>	2,899	(207)	2,692
1,639	<b>Non distributed Costs</b>	87	-	87
<b>56,913</b>	<b>Net Cost of Services</b>	<b>100,624</b>	<b>(64,031)</b>	<b>36,593</b>
(200)	(Gain) or loss on disposal of assets	759	-	759
2,042	Parish Council Precepts	2,188	-	2,188
(575)	Surplus/deficit from trading operations not included in Net Cost of Services	2,243	(2,713)	(470)
165	Interest payable and similar charges	55	-	55
954	Contribution of housing capital receipts to Government pool	862	-	862
(1,674)	Interest and investment income	-	(231)	(231)
(102)	Pension Interest Costs and expected return on pension assets	5,380	(1,854)	3,526
<b>57,523</b>	<b>Net Operating Expenditure</b>			<b>43,282</b>
(12,333)	Demand on Collection Fund		(12,570)	(12,570)
(156)	Transfer from the Collection Fund		(135)	(135)
(1,478)	General Government Grants		(1,457)	(1,457)
	Other Income		(272)	(272)
(6,664)	Non-Domestic Rates redistribution		(6,199)	(6,199)
<b>36,892</b>	<b>Deficit for the year</b>			<b>22,649</b>

## Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the Council's actual financial performance for the year measured in terms of the resources consumed and generated over the last 12 months. However, the Council is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the capital receipts reserve balance rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

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

<b>2008/2009 (Restated)*</b>		<b>2009/2010</b>
£'000		£'000
36,892	Deficit for the year on the income and Expenditure Account	22,649
(35,631)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(20,968)
<b>1,261</b>	<b>Decrease in General Fund Balance for the year</b>	<b>1,681</b>
(5,304)	General Fund Balance brought forward	(4,043)
<b>(4,043)</b>	<b>General Fund Balance carried forward</b>	<b>(2,362)</b>

\* See note 7 on prior year adjustments.

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

2008/2009 £'000 (Restated)*		2009/2010 £'000
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance</b>	
(274)	Amortisation of intangible assets	(300)
(28,057)	Depreciation and impairment of fixed assets	(13,206)
(4,023)	Transfer to the Major Repairs Reserve - excess of HRA depreciation over Major Repairs Allowance	(4,033)
411	Government Grants Deferred amortisation	677
(3,710)	Revenue Expenditure Funded from Capital under Statute	(1,517)
200	Net (profit)/loss on sale of fixed assets	(759)
390	Difference between amount debited to I& E and amount payable for amortisation of the premiums and discounts	365
(2,851)	Net charges made for retirement benefits in accordance with FRS 17	(4,729)
<b>(37,914)</b>	<b>Sub-total</b>	<b>(23,502)</b>
	<b>Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the year</b>	
(954)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(862)
(22)	Collection Fund Adjustment	(21)
2,758	Employer's contributions payable to the Local Government Pension Fund and retirement benefits payable direct to pensioners	3,356
<b>1,782</b>	<b>Sub-total</b>	<b>2,473</b>
	<b>Transfers to or from the General Fund balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year.</b>	
(476)	Housing Revenue Account Balance	17
977	Net transfer to or from reserves/other statutory funds	44
<b>501</b>	<b>Sub-total</b>	<b>61</b>
<b>(35,631)</b>	<b>Net additional amount required to be credited to the General Fund Balance for the year</b>	<b>(20,968)</b>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2008/2009 £'000 (Restated)*		2009/2010 £'000
36,892	Deficit for the year on the Income and Expenditure Account	22,649
6,891	Deficit arising on revaluation of fixed assets	(51,709)
12,952	Actuarial losses/(gains) on pension fund assets and liabilities	27,640
2,604	FRS17 adjustment-restatement of figures	-
64	Other losses/(gains):	(397)
<b>59,403</b>	<b>Total recognised gains and losses for the year</b>	<b>(1,817)</b>

\* See note 7 on prior year adjustments.

## Balance Sheet as at 31 March 2010

March 2009 (Restated)* £'000		Note	31 March 2010 £'000
	<b>Fixed assets</b>		
655	Intangible fixed assets		582
	<b>Tangible Fixed Assets</b>		
	<b>Operational assets</b>		
443,482	- Council dwellings		474,699
49,109	- Other land and buildings		53,037
1,098	- Vehicles, plant and equipment		2,176
2,922	- Infrastructure assets		2,710
888	- Community Assets		12
<b>497,499</b>			<b>532,634</b>
	<b>Non-operational assets</b>		
16,232	- Investment properties		16,550
-	- Assets under construction		1,224
<b>514,386</b>	<b>Total fixed assets</b>	<b>8</b>	<b>550,990</b>
1	Long term investments	13	1
243	Long term debtors	14	224
<b>514,630</b>	<b>Total long term assets</b>		<b>551,215</b>
	<b>Current assets</b>		
56	- stocks	16	69
4,764	- debtors	17	5,257
16,671	- temporary investments	30	5,364
1,639	- cash and bank	31	3,304
<b>23,130</b>			<b>13,994</b>
	<b>Current liabilities</b>		
(14,344)	- creditors	18	(9,107)
<b>(14,344)</b>			<b>(9,107)</b>
<b>523,416</b>	<b>Total assets less current liabilities</b>		<b>556,102</b>
	<b>Long-term liabilities</b>		
(2,273)	- Government grants deferred	20	(2,629)
-	- Long term borrowings		(1,500)
(29,802)	- Liability related to defined benefit pension scheme	29	(58,815)
<b>491,341</b>	<b>Total assets less liabilities</b>		<b>493,158</b>

## Balance Sheet as at 31 March 2010

31 March 2009 (Restated)*			31 March 2010
£'000		Note	£'000
	<b>Financed by</b>		
21,459	Revaluation Reserve	22	71,936
482,425	Capital Adjustment Account	23	465,948
8,179	Usable Capital Receipts Reserve	24	8,056
(29,802)	Pensions Reserve	29	(58,815)
(618)	Financial Instruments Adjustment Account	26	(253)
2,469	Major Repairs Reserve	<i>HRA 9</i>	1,277
4,043	General Fund balance		2,362
1,163	Housing Revenue Account balance		1,180
156	Collection Fund Adjustment Account		135
215	Deferred capital receipts	15	208
1,652	Earmarked Reserves	25	1,124
<b>491,341</b>	<b>Total net worth</b>		<b>493,158</b>

\* See note 7 on prior year adjustments.

## Cash Flow Statement for the year ended 31 March 2010

This statement provides a link between the Balance Sheet at the beginning of the year, the Income and Expenditure Account for the year and the Balance Sheet at the end of the year. It looks at where the money came from and how it was spent for both revenue and capital activities and therefore reflects the changes in the financial structure of the Council during the year.

2008/2009 Restated £'000		2009/2010 £'000
4,769	<b>Net Cash Flow from Revenue Activities</b>	581
	<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>	
	<b>Cash Outflows</b>	
-	Interest paid	(55)
	<b>Cash Inflows</b>	
1,769	Interest received	388
1,769	<b>Net cash flow from returns on investments and servicing of finance</b>	333
	<b>CAPITAL ACTIVITIES</b>	
	<b>Cash Outflows</b>	
(9,675)	Purchase of Fixed Assets/Enhancements	(8,004)
(3,710)	Revenue expenditure funded from capital under statute	(1,517)
(13,385)	<b>Total capital Payments</b>	(9,521)
	<b>Cash Inflows</b>	
1,780	Sale of Fixed Assets	1,639
880	Capital Grants Received	1,895
71	Other Capital Cash Income	421
2,731	<b>Total Capital Receipts</b>	3,955
(10,654)	<b>Net Cash flow from Capital Activities</b>	(5,566)
(4,116)	<b>Net Cash flow before Financing</b>	(4,652)
	<b>MANAGEMENT OF LIQUID RESOURCES</b>	
4,550	Decrease/(Increase) in short term investments	11,150
707	Net increase/decrease in other liquid resources	(6,333)
-	Long Term Financing	1,500
1,141	<b>Net Increase/(decrease) in Cash</b>	1,665

# Cash Flow Statement for the year ended 31 March 2010

## Reconciliation of revenue balance to net cash flow from revenue activities

	2009/2010 £'000	2008/2009 £'000
<b>Deficit per Income and Expenditure Account</b>	<b>(22,649)</b>	<b>(36,892)</b>
<b>Non Cash Transactions</b>		
Depreciation, amortisation and impairments	21,117	35,824
Amortisation	300	274
Government Grant Deferred amortisation	(677)	(411)
Pension fund adjustments	1,373	93
Appropriation to/from Collection Fund Adjustment Account	21	22
	<b>22,134</b>	<b>35,802</b>
<b>Items on an accruals basis</b>		
(Increase)/decrease in stock	(13)	21
(Increase)/decrease in debtors	185	(158)
(Decrease)/increase in creditors	(1,176)	4,184
	<b>(1,004)</b>	<b>4,047</b>
<b>Items classified elsewhere in the Cash Flow Statement</b>		
Net Interest	(176)	(1,769)
Revenue expenditure funded from capital under statute	1,517	3,710
Contributions to/(from) Reserves	-	71
Gain/(loss) on sale of assets	759	(200)
	<b>2,100</b>	<b>1,812</b>
<b>Net cash inflow from Revenue Activities</b>	<b>581</b>	<b>4,769</b>

The Cash Flow Statement as at 31 March 2009 has been restated to reflect the change in accounting policy with regard to the Collection Fund as prescribed by the SORP 2009. This in effect removes from net cash inflow from revenue activities the major preceptors share of council tax collected, business rates collected, precepts paid to major preceptors and business rates paid to the government. The net effect of these cash movements is now shown as a net increase or decrease in other liquid resources under Management of Liquid resources.

# Notes to the Core Financial Statements

## 1. Trading Undertakings

### a) Market

The Council operates a street market in St Albans City centre on Wednesdays and Saturdays. There are additional market days for Farmers and Continental Markets and at Christmas. The Market Trading Account also includes street trader income.

Financial results were:

<b>Market</b>	<b>2009/2010</b> £'000	<b>2008/2009</b> £'000
Income from charges to stall-holders	(699)	(711)
Expenditure	531	597
<b>Surplus to General Fund</b>	<b>(168)</b>	<b>(114)</b>

### b) Corporate Property

The Council owns various shops and business premises that are let on a commercial basis. Financial results were:

<b>Corporate Property</b>	<b>2009/2010</b> £'000	<b>2008/2009</b> £'000
Rent income	(1,022)	(1,163)
Expenditure	580	731
<b>Surplus to General Fund</b>	<b>(442)</b>	<b>(432)</b>

### c) Decriminalised Parking Enforcement

Decriminalised Parking Enforcement, formerly undertaken by the Police Authority, was introduced on 4 October 2004 and covers on street parking in the District. This service operates within a legal framework under the Road Traffic Act 1991 and is operated by an external provider. The service includes residents' parking zones (under the former Controlled Parking Zone scheme), highway parking zones for shoppers, tourists and business visitors.

Any surplus can be re-invested in transport operations, traffic reduction, road safety or off street parking improvements, although approval must first be sought from Hertfordshire County Council as the Council act as agent only.

Financial results were:

## Notes to the Core Financial Statements

<b>Decriminalised Parking Enforcement</b>	<b>2009/2010</b> £'000	<b>2008/2009</b> £'000
Income from charges to users	(1,171)	(1,149)
Expenditure	1,151	1,120
<b>Deficit/(Surplus) for year</b>	<b>(20)</b>	<b>(29)</b>
Transferred to Reserves	-	(43)
<b>Net Cost (surplus) to General Fund</b>	<b>(20)</b>	<b>(72)</b>

### 2. General Government Grants

General Government Grants are non-ringfenced general grants. Unlike specific grants, which are matched to the expenditure that gave rise to the entitlement in the relevant service revenue accounts, no conditions on use are imposed as part of the grant determination. Income received or accrued for these grants in respect of the 2009/2010 financial year are detailed below.

<b>Grant description</b>	<b>2009/2010</b> £'000	<b>2008/2009</b> £'000
Revenue Support Grant	(1,431)	(928)
Local Authority Business growth initiative (LABGI)	-	(528)
Area Based Grant	(26)	(22)
<b>Total General Government Grants</b>	<b>(1,457)</b>	<b>(1,478)</b>

### 3. Members' Allowances

The amount of allowances payable to Councillors for 2009/2010 was £441,834 (£433,385 in 2008/2009). Full details can be found on the Council's website at [www.stalbans.gov.uk](http://www.stalbans.gov.uk).

## Notes to the Core Financial Statements

### 4. Employees' Remuneration in excess of £50,000 and Senior Officer Remuneration

The amended Accounts and Audit Regulations introduce a new legal requirement for the 2009/2010 accounts to disclose remuneration of senior employees. In particular, senior employees whose salary is £50,000 or more per year but less than £150,000, are required to be listed individually by way of job title. The Council has no employees with a salary greater than £150,000.

Information on total remuneration in bands is still required, although the band widths have changed from £10,000 to £5,000.

The number of employees (excluding those identified as senior employees, which are reported separately below) whose remuneration, including taxable benefits and redundancy payments but excluding employers' pension contributions was £50,000 or more, in bands of £5,000 were:

	No. of Employees		Notes
	2009/2010	2008/2009	
Remuneration			
£50,000 - £54,999	11	8	
£55,000 - £59,999	-	1	
£60,000 - £64,999	-	1	Note i
£65,000 - £69,999	2	-	Note i
£105,000 - £110,000	-	2	Note ii
<b>Total</b>	<b>13</b>	<b>12</b>	

Note i: Includes compensation for loss of office for one employee.

Note ii: Includes compensation for loss of office for two employees.

The following two tables set out the remuneration disclosures for senior employees whose annualised salary is less than £150,000, but equal to or more than £50,000, per year for 2009/2010 and 2008/2009. Senior employees are the Chief Executive and his direct reports other than administrative staff.

## Notes to the Core Financial Statements

2009/10						
Post Title	Notes	Salary	Benefits	Total	Employer's	Total
		(including fees and allowances) £'000	in kind £'000	Remuneration excluding pension contributions £'000	pension contribution £'000	Remuneration including pension contributions £'000
Chief Executive		105	7	112	29	141
Chief Finance Officer		83	-	83	22	105
Chief Policy and Partnership Officer		80	-	80	22	102
Head of Legal and Democratic Services		76	5	81	22	103
Head of Housing		57	7	64	16	80
Head of Environmental and Regulatory Services		57	5	62	15	77
Head of Culture and Community Development		56	6	62	15	77
Head of Information and Communications Technology		56	7	63	15	78
Head of Human Resources and Customer Services Development	Note i	9	1	10	2	12
Head of Human Resources and Customer Services Development	Note i	28	-	28	8	36
Head of Planning and Building Control	Note ii	14	-	14	4	18
		<b>621</b>	<b>38</b>	<b>659</b>	<b>170</b>	<b>829</b>

Note i: The Head of Human Resources and Customer Services Development left on 29/05/09 (annualised salary £56,227) and a new postholder commenced on 05/10/09 (annualised salary £57,986).

Note ii: The Head of Planning & Building Control commenced on 11/01/10 (annualised salary £64,000). The post was vacant prior to this date

2008/09						
Post Title	Notes	Salary	Benefits	Total	Employer's	Total
		(including fees and allowances) £'000	in kind £'000	Remuneration excluding pension contributions £'000	pension contribution £'000	Remuneration including pension contributions £'000
Chief Executive		105	8	113	29	142
Chief Finance Officer	Note iii	78	-	78	20	98
Chief Policy and Partnership Officer	Note iv	22	-	22	6	28
Head of Legal and Democratic Services		69	5	74	20	94
Head of Housing		56	8	64	16	80
Head of Environmental and Regulatory Services	Note v	19	2	21	5	26
Head of Culture and Community Development		55	6	61	15	76
Head of Information and Communications Technology		55	6	61	15	76
Head of Human Resources and Customer Services Development		55	6	61	15	76
Head of Planning and Building Control	Note vi	54	5	59	14	73
		<b>568</b>	<b>46</b>	<b>614</b>	<b>155</b>	<b>769</b>

## Notes to the Core Financial Statements

Note iii: The Chief Finance Officer commenced on 21 April 2008 with an annualised salary of £83,012.

Note iv: The Chief Policy and Partnership Officer commenced on 22 December 2008 with an annualised salary of £78,012.

Note v: The post of Head of Environmental and Regulatory Services was a new post created as a result of a management restructure and was appointed on 17/11/08 (annualised salary £52,184). The post of Head of Environment and Health (annualised salary £71,565) was deleted in the same restructure.

Note vi: The Head of Planning and Building Control left on 28 February 2009

### 5. Related Party Transactions

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 has effective control 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. housing benefits). Details of transactions with Government departments are set out in a Note relating to the Cash Flow Statement.

Members of the Council have direct control over the Council's financial and operating policies. The council has satisfied itself that all the transactions entered into have been concluded in accordance with its procedures for preventing undue influence; for example, compliance with the Contract Procedure Rules in the Financial Regulations. Members are required to submit an annual signed declaration of interests and during 2009/2010 two declarations of interest were made. Details of these were recorded in the Register of Members Interests, which is open to public inspection, by appointment, during office hours at the Council Offices. These are in relation to grants to voluntary bodies.

Officers - during 2009/2010 no officers declared a pecuniary interest in accordance with section 117 of the Local Government Act 1972.

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

## Notes to the Core Financial Statements

### 6. External Audit Fees

	2009/2010 £'000	2008/2009 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor (see note i)	146	181
Fees payable to the Audit Commission for the certification of grant claims and returns	47	40
	<b>193</b>	<b>221</b>

Note i) Includes £5,000 fee relating to additional audit work required on the 2008/2009 accounts and £1,000 fee for the national fraud initiative.

# Notes to the Core Financial Statements

## 7. Prior Year Adjustments

A change in accounting policy relating to the Collection Fund has been prescribed by the SORP 2009.

The following table shows the adjustments required to the amounts reported in the Balance Sheet in 2008/2009 for the change to agency accounting. It shows the disaggregation from the balance sheet of amounts now to be shown as owing to or from the government (for NNDR) and to or from the preceptors (for Council Tax).

	Govnt depts other £'000	Govnt depts NNDR £'000	NNDR arrears £'000	Council Tax arrears £'000	Collection Fund Provision for bad debts £'000	<b>Total Debtors £'000</b>	Receipts in Advance £'000	Other Local Authorities £'000	<b>Total Creditors £'000</b>
<b>Balance previously reported 31 March 2009</b>	<b>3,081</b>	<b>-</b>	<b>1,034</b>	<b>2,793</b>	<b>(1,780)</b>	<b>7,283</b>	<b>10,935</b>	<b>19</b>	<b>16,863</b>
<b>Disaggregate NNDR balances:</b>									
NNDR due from national pool	(2,441)	2,441							
NNDR arrears		1,034	(1,034)						
NNDR impairment allowance		(611)			611				
NNDR overpayments and prepayments		(955)				(955)	(955)		(955)
<b>Disaggregate Council Tax balances:</b>									
CT arrears				(2,400)		(2,400)		(2,400)	(2,400)
CT Impairment allowance					836	836		836	836
CT over payment and prepayments							(6,453)	6,453	
Collection Fund deficit							(1,125)	1,125	
<b>Restated balance as at 31 March 2009</b>	<b>640</b>	<b>1,909</b>	<b>-</b>	<b>393</b>	<b>(333)</b>	<b>4,764</b>	<b>2,402</b>	<b>6,033</b>	<b>14,344</b>

## Notes to the Core Financial Statements

The following table shows the changes to prior year figures resulting from the need to account for the surplus on the collection fund on an accruals basis rather than that required by statute. The surplus on the Collection Fund is taken to the I&E Account but in order to ensure the correct movement on the General Fund Balance in line with statute a mitigating entry is put through the Statement of Movement on the General Fund Balance.

	Collection Fund Balance £'000	Collection Fund Adj Acc £'000	Deficit for the year £'000	Net additional amount £'000
<b>Balances previously reported 31 March 2009</b>	<b>(156)</b>	<b>-</b>	<b>36,870</b>	<b>(35,609)</b>
Restate 1 April 2008 balance sheet	178	(178)		
Reverse distribution in 2008/09 of 15/1/08 estimate			178	
Share of estimated cumulative surplus			(156)	
Share of residual deficit			-	
Adjust against CF Balance	(22)		22	
Mitigate for increased income in I&E		22		(22)
<b>Restated balance as at 31 March 2009</b>	<b>-</b>	<b>(156)</b>	<b>36,892</b>	<b>(35,631)</b>

### 8. Information on Assets Held

Fixed assets are classified and recorded in the balance sheet in accordance with the CIPFA Code of Practice on Local Authority Accounting. Infrastructure assets and community assets are recorded at historical cost net of depreciation. Non-operational assets and all other assets are recorded at the lower of net realisable value or net current replacement cost.

The recorded value of assets changes when assets are revalued, disposed of or depreciated. Approximately 20% of General Fund assets are revalued each year. The net value of adjustments is reflected in the Revaluation Reserve Account.

## Notes to the Core Financial Statements

Assets are depreciated in accordance with the Statement of Accounting Policies in note 10 page 15. In particular, council dwellings are being depreciated in accordance with the HRA Resource Accounting Regulations, which came into effect on 1 April 2001. The asset lives being used are:

Type of Asset	Basis	Estimated useful life
Council dwellings, multi-occupied dwellings and other buildings	Straight line basis	50
Vehicles, plant and equipment and intangible assets	Straight line basis	Up to 10 years
Infrastructure and Community Assets	Straight line basis	Various
Investment Property	Not depreciated (in line with SSAP19)	

Intangible assets consist mainly of various software packages and upgrades. The cost is being written off over the three years following the year of purchase.

Valuation of assets has resulted in a net increase in value of £50 million.

## Notes to the Core Financial Statements

<b>Operational Assets Movements during the year</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles and Plant</b>	<b>Infra- structure</b>	<b>Community Assets</b>	<b>Total Operational Assets</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>						
At 1 April 2009	443,483	51,075	3,187	3,454	1,233	502,432
Additions	5,790	418	798	92	-	7,098
Disposals	(2,128)	(187)	(12)	-	-	(2,327)
Reclassifications	-	24	1,192	-	(1,216)	-
Impairment	(9,236)	-	-	-	-	(9,236)
Revaluation Gains	58,055	4,707	-	-	-	62,762
Revaluation losses	(13,433)	(1,337)	-	-	-	(14,770)
<b>Balance as 31 March 2010</b>	<b>482,532</b>	<b>54,700</b>	<b>5,165</b>	<b>3,546</b>	<b>17</b>	<b>545,960</b>
<b>Accumulated Depreciation and Impairments</b>						
At 1 April 2009	-	(1,966)	(2,089)	(532)	(345)	(4,932)
Depreciation charge for 2009/10	(7,868)	(621)	(574)	(304)	(2)	(9,369)
Disposals	35	47	12	-	-	94
Reclassifications	-	(4)	(338)	-	342	-
Depreciation write back on revaluation	-	881	-	-	-	881
<b>Balance as 31 March 2010</b>	<b>(7,833)</b>	<b>(1,663)</b>	<b>(2,989)</b>	<b>(836)</b>	<b>(5)</b>	<b>(13,326)</b>
<b>Balance Sheet amount at 31 March 2010</b>	<b>474,699</b>	<b>53,037</b>	<b>2,176</b>	<b>2,710</b>	<b>12</b>	<b>532,634</b>
<b>Balance Sheet amount at 31 March 2009</b>	<b>443,483</b>	<b>49,109</b>	<b>1,098</b>	<b>2,922</b>	<b>888</b>	<b>497,500</b>
<b>Non-Operational Assets Movements during the year</b>	<b>Investment Properties</b>	<b>Asset Under Construction</b>		<b>Tangible Assets</b>		
	<b>£'000</b>	<b>£'000</b>		<b>£'000</b>		
<b>Cost or Valuation</b>						
At 1 April 2009	16,232	-		518,664		
Additions	-	1,224		8,322		
Disposals	-	-		(2,327)		
Reclassifications	-	-		-		
Impairment	-	-		(9,236)		
Revaluation Gains	758	-		63,520		
Revaluation losses	(440)	-		(15,210)		
<b>Balance as 31 March 2010</b>	<b>16,550</b>	<b>1,224</b>		<b>563,734</b>		
<b>Accumulated Depreciation and Impairments</b>						
At 1 April 2009	-	-		(4,932)		
Depreciation charge for 2009/10	-	-		(9,369)		
Disposals	-	-		94		
Reclassifications	-	-		-		
Depreciation write back on revaluation	-	-		881		
<b>Balance as 31 March 2010</b>	<b>-</b>	<b>-</b>		<b>(13,326)</b>		
<b>Balance Sheet amount at 31 March 2010</b>	<b>16,550</b>	<b>1,224</b>		<b>550,408</b>		
<b>Balance Sheet amount at 31 March 2009</b>	<b>16,232</b>	<b>-</b>		<b>513,732</b>		

# Notes to the Core Financial Statements

## Intangible Assets

Purchased Software Movement in intangible assets	2009/2010 £'000	2008/2009 £'000
<b>Original Cost</b>		
At 1 April	1,462	1,036
Amortisation at 1 April	(807)	(534)
<b>Balance as at 1 April</b>	<b>655</b>	<b>502</b>
Expenditure in the year	227	426
Written off to revenue in the year	(300)	(273)
<b>Balance as at 31 March</b>	<b>582</b>	<b>655</b>

The cost of software Licences held for the Authority is being written off over the three year life of the licence. SADC do not amortise its software in the year of acquisition; this is line with its standard depreciation policy.

## 9. Capital Expenditure and Sources of Finance

Capital Expenditure can be summarised as follows:

	2009/2010 £'000	2008/2009 £'000
<b>Housing Assets</b>	<b>5,790</b>	<b>6,713</b>
Community	169	40
Environment (eg cleansing and recycling)	402	1,223
Computers and IT equipment	336	449
Leisure & Sports facilities	1,756	748
Heritage, Arts and tourism	-	165
Other - general	96	337
<b>General Fund Assets</b>	<b>2,759</b>	<b>2,962</b>
<b>Total Capital Additions</b>	<b>8,549</b>	<b>9,675</b>
<b>Revenue Expenditure Funded from Capital under Statute (REFCUS)</b>		
Grants to Housing Associations	114	2,361
Home improvement grants	1,060	1,149
Other	343	200
<b>Total REFCUS</b>	<b>1,517</b>	<b>3,710</b>
<b>Total Capital Expenditure</b>	<b>10,066</b>	<b>13,385</b>
<b>The major General Fund expenditure was on:</b>	£'000	£'000
Leisure (Westminster Lodge)	1,756	965

## Notes to the Core Financial Statements

The following table shows how the total of capital expenditure and revenue expenditure funded from capital under statute (REFCUS) has been matched by sources of finance.

	2009/2010 £'000	2008/2009 £'000
<b>Opening Capital Financing Requirement</b>	<b>8,229</b>	<b>5,525</b>
<b>Add Capital investment</b>		
Operational assets	7,098	9,249
Intangible assets	227	426
Non-operational assets	1,224	-
REFCUS	1,517	3,710
	<b>10,066</b>	<b>13,385</b>
<b>Less Sources of Finance</b>		
Capital Receipts	867	3,597
Government Grants	876	633
Third Party Contributions	122	10
Lottery Grant	35	30
Major Repairs Reserve	4,914	5,755
Leaseholders Recharge	260	40
Other reserves	574	73
Capital Reserve	0	388
	<b>7,648</b>	<b>10,526</b>
<b>Less Minimum Revenue Provision</b>	<b>170</b>	<b>155</b>
<b>Closing Capital Financing Requirement</b>	<b>10,477</b>	<b>8,229</b>

The difference between the opening and closing capital finance requirements is explained by the following movements:

Explanation of movements in year	2009/2010 £'000	2008/2009 £'000
Increase in underlying need to borrow (supported by Government financial assistance)	918	918
Minimum Revenue Provision	(170)	(155)
Increase in underlying need to borrow (unsupported by Government financial assistance)	1,500	1,941
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>2,248</b>	<b>2,704</b>

## Notes to the Core Financial Statements

### Commitments under Capital Contracts

The Council has capital contract commitments as at 31 March 2010 of £3.8 million relating to Housing Investment Programme schemes. This note provides a list of the significant contracts for capital investment that the authority has entered into, their purpose, value, and the period over which the investment will take place.

Contractor	Purpose	Value of Contract £'000	Period	Expiry date
Quality Heating	Housing central heating	1,100	5 years	30/04/2015
Watret & Co Ltd	Maintaining central heating	663	5 years	08/05/2011
T & J Fire Ltd	Housing Fire Alarms	16	3 years	31/03/2012
Chubb	Warden Call Alarm Service	33	3 years	31/03/2012
KJ Entry Systems	Entry Systems	5	5years	31/03/2011
Apollo Group	Kitchen and bathroom modernisations	1,900	3 years	31/03/2011
Cartel Security Systems PLC	PAC door entry electrical systems	5	1 year	31/03/2010
Kone	Lift Servicing	15	3 years	01/01/2013
Eaga Insulation	Cavity Wall and loft insulation	50	1 year	31/03/2010
Stannah	Stairlifts	10	ongoing	31/03/2011
		<b>3,797</b>		

## Notes to the Core Financial Statements

### Assets Held by the Authority

The Council's main fixed assets are:

	31 March 2010	31 March 2009
Council Dwellings (see HRA note 1)	5,253	5,293
Entertainment & Other Halls	3	3
Council Offices	1	1
Off-street car parks - multi-storey	4	4
- open	28	28
Leisure centres and/or Pools	6	6
Museums & Town Hall	3	3
Parks and Open Spaces	73	74
Housing estates - open spaces	60	-
Market	1	1
Cemeteries	3	3
Commercial property available for rent	62 units	62 units
Public Conveniences	17	19

\* These are small open spaces within housing estates as identified by the housing strategy. All assets have de-minimis capitalisation value.

# Notes to the Core Financial Statements

## 10. Leases

The Authority uses various office equipment financed using operating leases and the amount paid under these arrangements in 2009/2010 was £23,320 (2008/2009 £45,000). The Authority was committed at 31 March 2010 to making payments of £23,320 under operating leases in 2010/2011, comprising the following elements.

	Vehicles, Plant and Equipment £'000
Leases expiring in 2010/2011	17
Leases expiring between 2011/2012 and 2014/2015	6
Leases expiring after 2014/2015	-
	<b>23</b>

### Car Leasing

Under the terms of the car leasing scheme operated for the benefit of its employees, the Council made rental payments of £292,475 (£318,306 in 2008/2009) of which £36,055 in 2009/2010 (£36,578 2008/2009) was recovered from employees.

### Authority as Lessor

With regard to the authority as a lessor, the gross value of assets held for operating leases was £36,487,925, and subject to depreciation of £603,955 in the year to 31 March 2010.

The rent receivable in the year was £1,195,375.

# Notes to the Core Financial Statements

## 11. Valuation Information

The following statement shows the Council's rolling programme for the revaluation of fixed assets. These valuations are carried out by surveyors employed by St Albans City and District Council as follows; Paul Teesdale FRICS, and Marcella Kelly MRICS .

Valuation for certain specialised properties were carried out by external firms of Chartered Surveyors as listed below:

Name of Company	Name of Valuer	Qualification	Date of Valuation	Properties
Drivers Jonas	Andy Lomax	MRICS	February 2010	Leisure properties
Aitchison Raffety	Mark Bunting	MRICS	March 2010	Hostels
	Simon Ayles	MRICS	February 2010	Mobile Home site

The basis for valuation is set out in the statement of accounting policies :

	Operational			Non-Operational	Total £'000
	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles and Plant £'000	Investment Props £'000	
Valued at historical Cost	-	-	2,176	-	2,176
Valued at current value in:					
2005/2006	-	4,775	-	2,618	7,393
2006/2007	-	11,034	-	1,749	12,783
2007/2008	-	16,301	-	6,179	22,480
2008/2009	-	3,557	-	3,165	6,722
2009/2010	474,700	17,370	-	2,839	494,909
<b>Total</b>	<b>474,700</b>	<b>53,037</b>	<b>2,176</b>	<b>16,550</b>	<b>546,463</b>

## Notes to the Core Financial Statements

### 12. Analysis of Net Assets Employed

	Year to 31 March 2010 £m	Year to 31 March 2009 £m
General Fund	70	71
Housing Revenue Account	482	450
Pension fund	(59)	(30)
<b>Total</b>	<b>493</b>	<b>491</b>

### 13. Long Term Investments

This comprises Government Consolidated Stock and is stated in the balance sheet at cost.

### 14. Long Term Debtors

	At 31 March 2010 £'000	At 31 March 2009 £'000
Advances to external borrows - General Fund	19	20
Mortgages - Housing Revenue Account	31	36
Economic Development Loan	174	187
Internal Debt - General Fund	9,241	8,493
Less Internal Debt - Housing Revenue Account	(9,241)	(8,493)
<b>Total</b>	<b>224</b>	<b>243</b>

The internal debt of £9.241m is an internal loan from the General Fund (GF) to the Housing Revenue Account (HRA). This originated from the GF repaying long-term loan debt on behalf of the HRA and increases as a result of the GF financing internal HRA supported capital borrowing for the HRA capital expenditure programme.

## Notes to the Core Financial Statements

### 15. Deferred Capital Receipts

This amount represents the funding of advances made to external borrowers. It is reduced annually as principal is repaid by the external borrowers.

### 16. Valuation of Stocks

Stocks held at 31 March 2010 of £69,474 (31 March 2009 - £55,886) consisted mainly of goods for resale at the Museums and at the Town Hall Tourist Information Centre.

### 17. Debtors

	At 31 March 2010 £'000	At 31 March 2009 Restated £'000
Amounts falling due within the next year :		
Government department NNDR	2,589	1,909
Government departments other	297	640
Advance payments/bookings	248	209
Council Tax/National Non-Domestic Rates costs	290	260
Council Tax arrears	460	393
Mortgages (repayments within 1 year)	6	8
Housing Rents	771	728
Sundry Debtors	1,327	1,164
	<b>5,988</b>	<b>5,311</b>
Less: Provision for doubtful debts		
Collection Fund	(362)	(333)
Housing Rents	(305)	(247)
Sundry Debtors	(164)	(113)
	<b>5,157</b>	<b>4,618</b>
Amounts falling due after one year :		
Employees' car loans/leasing	100	146
<b>Total</b>	<b>5,257</b>	<b>4,764</b>

The 31 March 2009 figures have been restated to reflect the change in accounting policy for the Collection fund. See note 7.

## Notes to the Core Financial Statements

### 18. Creditors

These are amounts owed by the Council for work done, goods received or services rendered to the Council, which have not been paid by 31 March 2010. Receipts in advance includes The Council share of prepaid Council Tax and the unspent portion of grants and contributions to the Council (mainly section 106 planning receipts). The balance on creditors is significantly less than in 2008/2009 due to Council Tax of £6m due for the current year being collected in the previous year.

	At 31 March 2010 £'000	At 31 March 2009 Restated £'000
Government departments	557	459
Other local authorities	380	6,033
Unapplied Government Grants	1,587	98
General Creditors	4,857	5,352
Receipts in advance	1,726	2,402
<b>TOTAL</b>	<b>9,107</b>	<b>14,344</b>

The 31 March 2009 figures have been restated to reflect the change in accounting policy for the Collection fund. See note 7.

General Creditors includes:

- i) a provision of £550,000 relating to a claim for compensation by the leaseholder for early termination of the lease and dilapidations relating to the Bricket Wood Sports Centre. The lease was terminated on 28 February 2010.
- ii) a provision of £60,000 relating to a claim for damage to a boundary wall at the St Albans Cathedral incurred in the current financial year. It is expected that the claim will be settled within twelve months of the balance sheet date.

## Notes to the Core Financial Statements

### 19. Provisions

	At 31 March 2009 £'000	Movement £'000	At 31 March 2010 £'000
Bad Debt Provisions			
Collection Fund	333	29	362
Housing Rents	247	58	305
Sundry Debtors	113	51	164
<b>Total Provisions</b>	<b>693</b>	<b>138</b>	<b>831</b>

Bad debt provisions are shown as a reduction in debtors (see note 17). The increases in provisions reflect the downturn in the economy and aged profile of amounts owed.

### 20. Grants and Contributions Deferred

	2009/2010 £'000	2008/2009 £'000
Balance at 1 April	2,273	2,423
Grants applied to Capital Expenditure	911	224
Contributions applied to Capital Expenditure	122	37
Amounts amortised to General Fund	(677)	(411)
<b>Balance at 31 March</b>	<b>2,629</b>	<b>2,273</b>

The SORP requires that where capital expenditure has been financed by a grant or contribution it is amortised to the Income and Expenditure account in line with the depreciation policy.

Since 2003/04 a number of assets have been acquired with funding from grants and contributions and the balance on this account represents the amounts still to be amortised to the General Fund.

# Notes to the Core Financial Statements

## 21. Summary Introduction to detail on Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Balance as at 1 April £'000	Movement in Year £'000	Balance as at 31 March 2010 £'000	Purpose of Reserve	Further Details of Movements
Revaluation Reserve	21,459	50,477	71,936	Store of gains on revaluation of fixed	Note 22 to the Core Financial
Capital Adjustment Account	482,425	(16,477)	465,948	Financing capital expenditure	Note 23 to the Core Financial
Usable Capital Receipts Reserve	8,179	(123)	8,056	Proceeds of fixed asset sales available to meet future capital	Note 24 to the Core Financial Statements
Financial Instrument Account	(618)	365	(253)	Amount still to be charged to I&E relating to premiums	Note 26 to the Core Financial Statements
Deferred capital receipts	215	(7)	208	Funding of advances to external borrowers	Note 15 to the Core Financial
Pensions Reserve	(29,802)	(29,013)	(58,815)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	See Scheme History under note 30 to the Core Financial
General Fund balance	4,043	(1,681)	2,362	Resources available to meet future running costs for non-housing services	Statement of Movement on the General Fund Balance
Housing Revenue Account balance	1,163	17	1,180	Resources available to meet future running costs for council	HRA Statements
Collection Fund balance	156	(21)	135	Unallocated Council Tax receipts	Collection Fund
Major Repairs Reserve	2,469	(1,192)	1,277	Resources available to meet capital investment in council housing	HRA Statements note 9
Earmarked Reserves	1,652	(528)	1,124	Resources available to meet specific spending plans	Note 25 to the Core Financial Statements
<b>Total</b>	<b>491,341</b>	<b>1,817</b>	<b>493,158</b>		

# Notes to the Core Financial Statements

## 22. Revaluation Reserve

This account represents the accumulated gains in value of the fixed assets held by the Authority less the part of the depreciation charge relating to the increase in value. On disposal of an asset, the relevant Revaluation Reserve balance is written out to the Capital Adjustment Account. The overall balance on the reserve at year end therefore represents the amount by which the current value of fixed assets carried in the Balance Sheet is greater because they are carried at revalued amounts rather than depreciated historical cost.

Whilst these gains arising from revaluation increases the net worth of the Authority, they would only result in an increase in spending power if the relevant assets were sold and capital receipts generated. A deficit on revaluation occurred due to a significant drop in the value of the housing stock held by the Authority.

### Movement on Revaluation Reserve:

	2009/2010	2008/2009
	£'000	£'000
<b>Balance at 1 April</b>	21,459	37,157
Revaluation Gains	64,066	(10,192)
Revaluation losses	(12,358)	-
Impairment w/back	-	(4,107)
Historic depreciation adjustment	(1,042)	(1,050)
Negative impairment w/off	1	-
Disposals	(190)	(349)
<b>Balance at 31 March</b>	<b>71,936</b>	<b>21,459</b>

## Notes to the Core Financial Statements

### 23. Capital Adjustment Account

The Capital Adjustment Account reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them. The credit balance indicates that the council has a surplus when comparing financing to the consumption of resources. The movements on the Capital Adjustment Account in this year are shown below:

#### Capital Adjustment Account movements:

	2009/2010 £'000	2008/2009 £'000
<b>Balance at 1 April</b>	482,425	507,474
<b>Resources set aside to finance capital expenditure</b>		
Utilised capital receipts	867	3,597
Major Repairs Reserve	4,914	5,755
Grants and contributions	834	914
Compensating adjustment with Revaluation Reserve	-	4,107
<b>Sub-total capital financing</b>	<b>6,615</b>	<b>14,373</b>
<b>Cost of acquiring fixed assets</b>		
Depreciation	(9,666)	(9,323)
Impairment losses	(11,751)	(26,775)
Carrying value of assets disposed	(2,234)	(1,579)
Transfer from revaluation reserve on disposals	189	349
Excess depreciation (current value over historic cost)	1,040	1,050
Reversal of Deferred Grants amortisation	677	411
REFCUS written off	(1,517)	(3,710)
Voluntary minimum revenue provision	170	155
<b>Sub-total charges</b>	<b>(23,092)</b>	<b>(39,422)</b>
<b>As at 31 March</b>	<b>465,948</b>	<b>482,425</b>

## Notes to the Core Financial Statements

### 24. Capital Receipts Reserve

This is the balance of the spendable element of amounts received from the sale of land and buildings, which has not yet been used to finance capital expenditure.

	2009/2010 £'000	2008/2009 £'000
Balance at 1 April	8,179	10,977
Receipts from asset disposals	1,514	1,780
Other Capital receipts	125	71
	<b>9,818</b>	<b>12,828</b>
Financing of Capital expenditure	(867)	(3,597)
"Right to Buy" expenses	(33)	(98)
Payment to National Pool	(862)	(954)
<b>Balance at 31 March</b>	<b>8,056</b>	<b>8,179</b>

Spendable capital receipts from the disposal of Housing Revenue Account assets accrue to the General Fund. In accordance with the requirements of the Local Authorities (Capital Finance and Accounting) (England) Regulations in 2009/2010 the Authority has paid 75.0% of its capital receipts from the disposal of housing assets to the National Pool.

## Notes to the Core Financial Statements

### 25. Earmarked Reserves

This balance represents various contributions set aside for specific purposes and totals £1,124,000. £537,000 of the Westminster Lodge Capital Reserve was used to fund capital expenditure on the project. A Further £37,000 of LABGI funding was received, and £206,000 has been used on various projects in the district. The reserves are as follows:

	2009/2010 £'000	2008/2009 £'000
Leisure Services Dept	160	81
Community Crime prevention	25	50
Museums Reserves	37	36
Amenity Area Mtce Fund	188	188
S52 Town & Country Planning Act	140	139
Other Reserves	71	71
LABGI	393	513
Prevent Violent Extremism grant	109	0
Westminster Lodge capital reserve	1	574
<b>Total</b>	<b>1,124</b>	<b>1,652</b>

### 26. Financial Instruments Adjustment Account (FIAA)

This account provides a balancing mechanism between the different rates at which gains and losses are recognised under the SORP and are required to be met from the General Fund. The balance of £253,000 is the amount not yet charged against the HRA Balance for premiums and discounts written-off. See Note 27 and HRA Note 10 below.

# Notes to the Core Financial Statements

## 27. Financial Instruments

Financial instruments are contracts that give rise to a financial asset in one entity and a Financial liability, or equity instrument of another entity. Typical financial instruments are trade receivables and payables, loans, investments and bank balances. An important distinction for Local Authorities is that the Financial Reporting Standards (FRSs) only cover contractual relationships, not legal obligations like Council Tax and Business Rates. The SORP requires extensive disclosure in relation to financial instruments. This is to highlight the significance of financial instruments for the Authority's financial position and performance and the nature and extent of risks arising from financial instruments to which the Authority was exposed and how the Authority manages those risks. The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and has set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

### Financial Instrument Balances

The investments disclosed in the balance sheet are made up of the following categories of financial instruments:

	Long-Term		Short-Term	
	At 31 March 2010 £'000	At 31 March 2009 £'000	At 31 March 2010 £'000	At 31 March 2009 £'000
Long term borrowing	(1,500)	-	-	-
Trade Creditors	-	-	(621)	(615)
<b>Financial Liabilities</b>	<b>(1,500)</b>	<b>-</b>	<b>(621)</b>	<b>(615)</b>
Investments	1	1	5,364	16,671
Trade Debtors			756	743
<b>Financial Assets</b>	<b>1</b>	<b>1</b>	<b>6,120</b>	<b>17,414</b>

## Notes to the Core Financial Statements

### Gains and Losses

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses (STRGL) in relation to financial instruments are made up as follows:

	<b>Financial Liabilities: measured at amortised cost £'000</b>	<b>Financial Assets: loans and receivables £'000</b>	<b>Total £'000</b>
Interest expense	4	-	4
<b>Interest payable and similar charges</b>	<b>4</b>	<b>-</b>	<b>4</b>
Interest income	-	(231)	(231)
<b>Interest and investment income</b>	<b>-</b>	<b>(231)</b>	<b>(231)</b>
<b>Net loss/(gain) for the year</b>	<b>4</b>	<b>(231)</b>	<b>(227)</b>

### Soft Loans

The Council's loans falling in this category consist of the assisted car purchase scheme and interest free loans to employees for the purchase of season rail and bus tickets. The value of the loans at year-end totalled £44,897 (2008/2009 £38,277), which is considered immaterial to the accounts.

### Fair Value of assets and liabilities carried at amortised cost.

Financial liabilities and financial assets represented by loans and receivables 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 instruments.

Due to their short term nature and maturity, debtors, creditors, bank deposits and investments have fair values that are estimated to approximate their carrying values.

The long term loan was taken out in the last week of the financial year at the prevailing market rate with no transaction costs and therefore fair value is equal to the amortised cost. In future years there may be a difference between fair value and amortised cost if interest rates change.

# Notes to the Core Financial Statements

## Premiums and Discounts

The SORP requires premiums and discounts to be charged/credited to the Income and Expenditure Account in year. These charges/credits are then reversed out in the SMGFB and transferred to the Financial Instruments Adjustment Account (FIAA). The balance held on the FIAA is then written down via the SMGFB over the remaining life of the loan repaid.

During the year £365,000 was amortised (2008/2009 £390,000) and this sum was charged to the SMGFB and credited to the FIAA. As a result, the balance on the FIAA stands at £253,000. Further details are provided in HRA note 10.

## Financial Risks

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 Authority'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.

## Notes to the Core Financial Statements

The Authority generally allows its customers 14 days credit. Of the £756,000 (2008/2009 £743,000) outstanding from customers, £713,000 (2008/2009 £408,000) is past due and this is analysed by age as follows :

Trade Debtors Ageing	At 31 March
	2010 £'000
Less than 3 months overdue	279
3 to 6 months overdue	67
7 months to 1 year overdue	193
More than 1 year overdue	174
	<b>713</b>

### Liquidity Risk

The Council reviews its borrowing requirements as part of its annual Treasury Management Strategy and the standard policy until now has been to remain debt free. However, it has now become necessary to borrow in order to fund the General Fund capital program. An initial £1.5 million long term loan was arranged with the PWLB in March 2010. The maturity analysis of financial liabilities is as follows:

Maturity Analysis of Financial Liabilities	31 March	31 March
	2010 £'000	2009 £'000
Less than one year	-	-
Between one and twenty years	-	-
More than twenty years	1,500	-
	<b>1,500</b>	<b>-</b>

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

### Market Risk

The Authority 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 1.1%, and if interest rates throughout the year had been 1% higher this would have increased the amount of interest earned on investments by £216,000.

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

# Notes to the Core Financial Statements

## 28. Contingent Liabilities

- i) The Authority is currently undertaking a Job Evaluation process. This may give rise to a liability under equal pay legislation. However, at this stage, the timing and amount of any liability is unknown.
- ii) The Council received a planning application for a Rail Freight Interchange and Warehouses in April 2009 and rejected it in July of that year. Subsequently an appeal was received and heard at a Public Inquiry in November and December 2009. The Appeal was dismissed by the Secretary of State in July 2010 but a partial costs award was made in favour of the Appellant. The Council are awaiting details of the Appellant's costs.

## 29. Retirement Benefits

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

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

### Transactions relating to retirement benefits

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefit is reversed out in the Statement of Movement in the General Fund Balance.

The following transactions have been made in the Income and Expenditure account and Statement of Movement in the General Fund Balance during the year:

## Notes to the Core Financial Statements

<b>Local Government Pension Scheme</b>	<b>2009/2010</b>	<b>2008/2009</b>
<b>Income and Expenditure Account:</b>	<b>£'000</b>	<b>£'000</b>
<b>Net Cost of Services:</b>		
- Current Service Cost	1,116	1,314
- Past Service Cost	27	691
- Settlement and Curtailment	60	948
<b>Net Operating Expenditure:</b>		
- Interest on Pension Scheme	5,380	5,513
- Expected return on assets in the scheme	(1,854)	(5,615)
<b>Net Charge to the Income and Expenditure Account</b>	<b>4,729</b>	<b>2,851</b>
<b>Statement of Movement on the General Fund Balance:</b>		
Reversal of net charges made for retirement benefits in accordance with FRS 17	(4,729)	(2,851)
<i>Actual amount charged against Council Tax for pensions in the year:</i>		
Employers' Contributions payable to the scheme	3,356	2,758

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £27.640 million were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is £40,041 million.

## Notes to the Core Financial Statements

### Assets and Liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

<b>Reconciliation of present value of the Scheme liabilities:</b>	<b>2009/2010</b> £'000	<b>2008/2009</b> £'000
<b>Opening Defined Benefit 1 April</b>	78,836	79,816
Movements in the year:		
Current Service Cost	1,116	1,304
Interest Cost	5,380	5,513
Contributions by Members	619	625
Actuarial losses/(gains)	39,641	(6,650)
Past Service Costs and curtailments	27	691
Losses/(Gains) on Curtailments	60	948
Estimated Benefit Paid	(3,571)	(3,411)
<b>Closing Defined Benefit Obligation 31 March 2010</b>	<b>122,108</b>	<b>78,836</b>

Reconciliation of fair value of the scheme assets:

<b>Reconciliation of fair value of the Scheme assets:</b>	<b>2009/2010</b> £'000	<b>2008/2009</b> £'000
Opening Fair Value of Employer Assets	49,034	62,917
Expected return on Assets	1,854	5,615
Contributions by Members	619	625
Employer contributions	3,356	2,890
Actuarial gains/(losses)	12,001	(19,602)
Benefits paid	(3,571)	(3,411)
<b>Closing value 31 March 2010</b>	<b>63,293</b>	<b>49,034</b>

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

The actual return on scheme assets in the year was £13.855 million (2008/2009 loss £13.987 million).

# Notes to the Core Financial Statements

## Scheme history

Local Government Pension Scheme	2009/2010	2008/2009	2007/2008	2006/2007	2005/2006
Present Value of Liabilities	(122,108)	(78,836)	(79,816)	(92,063)	(92,941)
Fair values of assets in the scheme	63,293	49,034	62,917	65,726	61,657
<b>Total</b>	<b>(58,815)</b>	<b>(29,802)</b>	<b>(16,899)</b>	<b>(26,337)</b>	<b>(31,284)</b>

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £58.815 million has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2011 is £2.546 million.

### **Basis for Estimating assets and liabilities**

Liabilities have been assessed on actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Hertfordshire County Council Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries; estimates on the pension fund are based on the latest full valuation of the scheme as at 31 March 2007.

## Notes to the Core Financial Statements

The principal assumptions used by the actuary have been:

Long Term expected Rate of return on assets in the Scheme	31 March 2010	31 March 2009
	%	%
Equity investments	7.8	7.0
Bonds	5.0	5.4
property	5.8	4.9
Cash	4.8	4.0
<b>Mortality assumptions</b>		
Longevity at 65 for current pensioners		
Men	22.7	21.4
Women	26.1	24.3
Longevity at 65 for future pensioner pensioners		
Men	24.8	22.5
Women	28.3	25.4
Rate of inflation	3.8	3.1
Rate of increase in salaries	5.3	4.6
Rate of increase in pensions	7	6.3
Rate for discounting scheme liabilities	5.5	6.9

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

The major categories of plan assets as a percentage of total plan assets	31 March 2010	31 March 2009
	%	%
Equity Investments	71.0	67.0
Bonds	19.0	19.0
Other Assets	10.0	14.0
	<b>100.0</b>	<b>100.0</b>

# Notes to the Core Financial Statements

## History of Experience Gains and Losses

The actuarial gains identified as movements of Pensions Reserve in 2009/2010 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010:

History of gains and losses	2009/2010	2008/2009	2007/2008	2006/2007	2005/2006
	%	%	%	%	%
Difference between the expected and actual return on assets	-92.9%	-64.7%	-11.1%	0.2%	14.6%
Experience gains and losses on liabilities	-10.3%	24.9%	-3.9%	0.0%	-2.3%

### 30. Temporary Investments

These are short-term investments of surplus cash. At 31 March 2010 these consisted of short-term investments with banks and building societies in line with the Council's Treasury Management Policy. In accordance with the SORP, the value in the Balance Sheet includes accrued interest of £13,870 (2008/2009 £171,029).

There were no changes to the Council's Treasury Management Policy during 2009/2010.

### 31. Cash and Bank Balances

The overall bank balance incorporating the General Fund, Housing and Collection Fund balances was £3.301 million in credit (2008/2009 - £1.636 million in credit) after taking account of unpresented cheques. This includes £3.203 million held in a call account. There are also several small cash floats amounting to £3,420.

### 32. Post balance Sheet Event

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index (CPI) rather than the retail prices index (RPI) will be the basis for future public sector pension increases, with effect from April 2011. Historically the CPI has usually been lower than the RPI and it is therefore likely that the Council's pension liability under FRS17 (£58.8 million at 31 March 2010) will be reduced. The Council estimate that this change will reduce the value of FRS17 liabilities by around 6-8%. This change is deemed to be a non-adjusting post balance sheet event and therefore has not been reflected in the Financial Statements.

## Notes to the Core Financial Statements

### 33. Cash Flow - Reconciliation of Net Invested to related items in the Balance Sheet

	Cash £'000	Short Term Investments £'000	Amounts relating to Major Preceptors & NNDR £'000	Total £'000	Loans due after more than one year £'000	Net Invested £'000
Balance at 1 April 2009	1,639	16,671	(4,124)	14,186	-	14,186
Receipt/payment of interest accrued at last Balance Sheet date	-	(171)	-	(171)	-	(171)
Other Cashflows in year	1,665	(11,150)	6,333	(3,152)	(1,500)	(4,652)
Interest accrued at the year end	-	14	-	14	-	14
<b>Balance at 31 March 2010</b>	<b>3,304</b>	<b>5,364</b>	<b>2,209</b>	<b>10,877</b>	<b>(1,500)</b>	<b>9,377</b>

### 34. Reconciliation of Net Cash Flow to movement in net invested

	2009/2010 £'000	2008/2009 £'000
Increase/(Decrease) in cash in year	1,665	1,141
Cash inflow/(Outflow) from management of Liquid Resources	(4,988)	(4,760)
Cash inflow from new loans raised	(1,500)	-
<b>Change in net invested resulting from cash flows</b>	<b>(4,823)</b>	<b>(3,619)</b>
<b>Non Cash changes:</b>		
Interest accrued at year end on Short Term Investments	14	171
Net invested brought forward	14,186	17,634
<b>Net invested carried forward</b>	<b>9,377</b>	<b>14,186</b>

## Notes to the Core Financial Statements

### 35. Analysis of Changes in Net Investment

	As at 31 March 2010 £'000	As at 31 March 2009 £'000	Cash Flows £'000
Cash at bank	98	286	(188)
Call account	3,203	1,350	1,853
Cash in hand	3	3	-
<b>(Decrease)/Increase in cash</b>	<b>3,304</b>	<b>1,639</b>	<b>1,665</b>
Short term investments	5,364	16,671	(11,307)
Amounts relating to Council Tax and Business Rates	2,209	(4,124)	6,333
	<b>10,877</b>	<b>14,186</b>	<b>(3,309)</b>

### 36. Analysis of Government Grants (Revenue)

	2009/2010 £'000	2008/2009 £'000
DWP Grants for Benefits		
Rent Allowances & Benefits	24,839	21,141
Council tax benefits	6,581	5,762
Administration	690	636
<b>DWP sub-total</b>	<b>32,110</b>	<b>27,539</b>
Revenue Support Grant	1,431	928
Planning Delivery Grant	29	139
Performance Reward Grant	217	-
Homelessness Grant	46	181
Supporting People	244	350
Other	-	536
<b>Total Government Grants</b>	<b>34,077</b>	<b>29,673</b>

## Notes to the Core Financial Statements

### 37. Undischarged Obligations arising from Long-Term contracts

The authority has a number of long-term contracts for services. Listed below are material contracts (in excess of £100,000 per annum) in existence at the balance sheet date.

<b>Contractor</b>	<b>Service Area</b>	<b>Estimated contract Payment p.a £000</b>	<b>Contract Expiry date</b>
John O'Connor	Grounds Maintenance	1,629	31 Dec 2011
MRS	Public Convenience cleaning	108	02 April 2013
Leisure Connection	Management of leisure facilities	1,449	28 Feb 2016
Northgate Information Solutions	IT managed service and IT buying solutions	346	30 March 2016
Quality Heating	Replacement of housing gas central heating	265	30 April 2015
Watret & Co Ltd	Maintenance, servicing and replacement of housing gas central heating - schedule of rates	663	8 May 2011
ROK	Housing maintenance and repairs	1,400	1 Nov 2012
Mulalley	Housing maintenance and repairs	1,300	1 Nov 2012
British Gas	Supply of Gas	250	31 Oct 2011
Southern Electricity	Supply of electricity half hour rates	250	30 Sept 2011
Southern Electricity	Supply of electricity none half hour rates	100	30 Sept 2011

Other material service contracts that were re-tendered in 2009/2010, but only came into force in 2010/2011 are:

<b>Contractor</b>	<b>Service Area</b>	<b>Estimated contract Payment p.a £000</b>	<b>Contract Expiry date</b>
Enterprise	Refuse Collection	1,258	03 Feb 2015
Enterprise	Street Cleaning	1,196	03 Feb 2015
Enterprise	Recycling	1,754	03 Feb 2015
Enterprise	Management of Recycling facility	127	03 Feb 2015
Risk Management Partners Ltd	Insurance Services except engineering	345	30 July 2015
Allianz	Insurance Services engineering	100	30 July 2015

This is not a conclusive list of the authority's contracts; a full list is available on the Council's website.

## Housing Revenue Account 2009-2010

2008/2009 £'000		2009/2010 £'000
	<b>Income</b>	
(21,174)	Rents - Dwellings	(21,604)
(776)	- Garages	(789)
(336)	- Shops and Other	(353)
(169)	Charges for services and facilities	(181)
(51)	Contributions towards expenditure	(47)
(376)	Other Government Grants	(244)
<b>(22,882)</b>	<b>Total Income</b>	<b>(23,218)</b>
	<b>Expenditure</b>	
5,412	Supervision and Management	5,255
3,321	Repairs and Maintenance	3,483
158	Rents, Rates, Taxes and other charges	193
9,762	Negative HRA subsidy payable	9,480
34,166	Depreciation and impairment of fixed assets	18,737
9	Debt Management costs	9
85	Increase in bad debt provision	87
<b>52,913</b>	<b>Total Expenditure</b>	<b>37,244</b>
<b>30,031</b>	<b>Net Cost of HRA Services as included in the whole authority Income and Expenditure Account</b>	<b>14,026</b>
-	HRA services share of Corporate and Democratic Core	38
<b>30,031</b>	<b>Net Cost of HRA Services</b>	<b>14,064</b>
(200)	(Gain) or loss on sale of HRA fixed assets	760
353	Interest payable and similar charges	80
(72)	Interest and investment income	(24)
73	Pension interest cost and expected return on pension assets	564
<b>30,185</b>	<b>Deficit for the year on HRA services</b>	<b>15,444</b>

## Statement of Movement on the HRA Balance

2008/2009 £'000		2009/2010 £'000
30,185	Deficit for the year on the HRA Income and Expenditure Account	15,444
(29,709)	Net additional amount required by statute to be credited to the HRA Balance for the year	(15,461)
<b>476</b>	<b>(Increase)/decrease in the HRA Balance</b>	<b>(17)</b>
(1,639)	Housing Revenue Account surplus brought forward	(1,163)
<b>(1,163)</b>	<b>Housing Revenue Account surplus carried forward</b>	<b>(1,180)</b>

## Note to the Statement of Movement on the HRA Balance

2008/2009 £'000		2009/2010 £'000
	<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year</b>	
200	Gain or loss on sale of HRA fixed assets	(760)
(26,398)	Impairment of Fixed Assets	(10,826)
(280)	Net charges made for retirement benefits in accordance with FRS 17	(757)
<b>(26,478)</b>	<b>Sub-total</b>	<b>(12,343)</b>
	<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>	
390	Annual amortisation of the premiums and discounts in the Financial Instruments Adjustment Account	365
(4,023)	Transfer from Major Repairs Reserve	(4,033)
402	Employer's contributions payable to the Local Government Pension Scheme and retirement benefits payable direct to pensioners	550
<b>(3,231)</b>	<b>Sub-total</b>	<b>(3,118)</b>
<b>(29,709)</b>	<b>Net additional amount required by statute to be credited to the HRA Balance for the year</b>	<b>(15,461)</b>

# Housing Revenue Account – Notes to the Accounts

## 1. Dwelling Rents and Analysis of the Housing Stock

The Account shows the total rent income collectable for the year after an allowance has been made for empty properties. On 31 March 2010 2.97% (2009 – 2.66%) of lettable properties were vacant. The Council was responsible for managing 5,253 dwellings as at 31 March 2010 as follows:

	31 March 2010 No's	31 March 2009 No's
One bedroom dwellings		
- Houses and Bungalows	333	326
- Flats	1,321	1,358
Two bedroom dwellings		
- Houses and Bungalows	537	538
- Flats	885	890
Three bedroom dwellings		
- Houses and Bungalows	1,965	1,969
- Flats	29	28
Four or more bedroom dwellings		
- Houses and Bungalows	92	93
Multi-occupied dwellings	91	91
	<b>5,253</b>	<b>5,293</b>

The change in stock can be summarised as follows:

	2009/2010 No's	2008/2009 No's
Stock at 1 April	5,293	5,300
Less: Right to buy sales	(7)	(7)
Disposal	(33)	-
Stock at 31 March	<b>5,253</b>	<b>5,293</b>

The disposal relates to the transfer of Eric Steele House to North Hertfordshire Homes (NHH) at nil consideration. NHH will re-develop the site for continued use as sheltered accommodation and the council will retain nomination rights over the redeveloped property.

# Housing Revenue Account – Notes to the Accounts

## 2. Rent Arrears and Bad Debts

<b>Arrears</b>	<b>2009/2010</b>	<b>2008/2009</b>
	£'000	£'000
Arrears at 31 March	771	728
Rent arrears as a percentage of gross rent income	3.4%	3.3%

<b>Bad debts</b>	<b>2009/2010</b>	<b>2008/2009</b>
	£'000	£'000
Bad debts provision at 1 April	247	240
Debts written off in the year	(29)	(78)
Increase/(decrease) in provision	87	85
<b>Bad debt provision at 31 March</b>	<b>305</b>	<b>247</b>

## 3. Property Valuations

### Balance Sheet Value

HRA dwellings are valued using the Beacon basis whereby all properties are linked to a 'beacon' property and valued in line with the change in value of the 'beacon'. All beacon properties were revalued in 2009/2010. 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 currently 45%.

	<b>31 March 10</b>	<b>31 March 09</b>
	£'000	£'000
Operational Assets (Dwellings, garages etc)	478,879	447,734
Non-Operational Assets (Shops etc)	3,091	2,246
	<b>481,970</b>	<b>449,980</b>

# Housing Revenue Account – Notes to the Accounts

## Vacant Possession Value

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

	At 31 March 2010 £'million	At 1 April 2009 £'million
<b>HRA Dwellings</b>	<b>997</b>	<b>969</b>

## 4. Capital Expenditure

- a) Capital expenditure on the improvement of Council dwellings, including equipment and infrastructure was as follows:

	2009/2010 £'000	2008/2009 £'000
Kitchens and bathrooms	2,476	2,083
Disabled adaptations	682	792
External walls and roofing	308	789
Windows and doors	568	1,431
Heating, wiring and plumbing	1,147	931
Conversions and extensions	205	217
Other	404	470
<b>Council Dwellings Additions</b>	<b>5,790</b>	<b>6,713</b>

This was financed as follows:

	2009/2010 £'000	2008/2009 £'000
Major Repairs Reserve	4,914	5,755
Supported capital Borrowing	869	918
Grants and contributions	7	40
<b>Capital additions</b>	<b>5,790</b>	<b>6,713</b>

## Housing Revenue Account – Notes to the Accounts

The Council has capital contract commitments as at 31 March 2010 of £3.8 million relating to Housing Investment Programme schemes and £2.31 million of Housing Investment Programme schemes remaining incomplete at the year end are being carried forward into 2010/2011.

### b) Capital Receipts

Spendable capital receipts from the disposal of Housing Revenue Account assets accrue to the General Fund. In accordance with the requirements of the Local Authorities (Capital Finance and Accounting)(England) Regulations, the Authority pays 75.0% of capital receipts from the disposal of housing assets to the National Pool. The number of council house sales was 7, the same as in 2008/2009.

	2009/2010 £'000	2008/2009 £'000
House sales (subject to pooling)	1,132	1,357
Land sales	342	162
Repayments of discounts	38	11
Mortgage capital receipts	7	7
<b>Total</b>	<b>1,519</b>	<b>1,537</b>
Less Costs	(61)	(97)
Payable to National Pool		
For current year	(833)	(954)
For prior year	(29)	5
<b>Total</b>	<b>596</b>	<b>491</b>

The Housing Capital receipt balance on 31 March 2010 was £7,872,882 (2009 £8,114,953).

## 5. Rent Rebates

Assistance with rents for those on low incomes is available under the Housing Benefits Scheme. 50.9% (2008/2009 48.8%) of the Council's rents receivable are by way of benefits. Rent rebates are chargeable to the General Fund.

## 6. HRA Subsidy

The Housing Subsidy Determination issued by the Government each year sets out how subsidy is to be calculated. Components of subsidy include both positive elements (e.g. management and maintenance allowances etc.) and negative elements (e.g. rent income etc.). If the net result shows a positive figure the Authority's Housing Revenue Account receives a subsidy of that amount from the Government but if the net result shows a negative figure the Authority is required to pay that amount to the Government.

## Housing Revenue Account – Notes to the Accounts

Housing Subsidy Details	2009/2010 £'000	2008/2009 £'000
<b>Notional expenditure</b>		
Management & Maintenance	8,107	7,880
Major Repairs Allowance	3,878	3,744
Charges for capital	595	818
<b>Total notional expenditure</b>	<b>12,580</b>	<b>12,442</b>
<b>Notional Income</b>		
Rents	(22,057)	(22,260)
Interest on receipts	(3)	(3)
<b>Total notional income</b>	<b>(22,060)</b>	<b>(22,263)</b>
(Under)/Over paid prior year	-	59
<b>Total Negative HRA Subsidy payable to the Government</b>	<b>(9,480)</b>	<b>(9,762)</b>

### 7. Depreciation

The Council's housing stock is depreciated in accordance with FRS 15 over 50 years on a straight-line basis. Land and buildings is further split on a 15:85 basis for the appropriate depreciation of buildings.

	Charged 2009/2010 £'000	Charged 2008/2009 £'000
<b>Operational Assets</b>		
Dwellings	7,866	7,720
Garages	45	47
<b>Non-Operational Assets</b>	-	-
	<b>7,911</b>	<b>7,767</b>

# Housing Revenue Account – Notes to the Accounts

## 8. Impairment

An impairment of £10.826 million (2008/2009 £26.398 million) is shown in the income statement. Of this, £9.236 million represents the write off of capital enhancements (e.g. kitchens, bathrooms, roofing, disabled adaptations) which, in the opinion of our valuers, does not add to the Economic Use Value for Social Housing but rather maintains the useful life. In 2008/2009 the valuers also estimated that property values declined by 15%, which led to a decrease in the carrying value of dwellings held in the Balance Sheet and an increase in the impairment charge in the HRA. No such general impairment is considered necessary for 2009/2010. Where properties had Revaluation Reserve balances, these were used to absorb the impairments with the balances not absorbed charged to the HRA. Impairments are charged to the HRA then reversed out in the Statement of Movement on the HRA and therefore there is zero effect on the HRA balance

## 9. Major Repairs Reserve

The Reserve came into operation in 2001/2002 and reflected a change in the subsidy regime in that year. Monies within the Reserve are applied to meet capital expenditure on the Council's housing stock. The movement in the reserve was as follows:

	2009/2010 £'000	2008/2009 £'000
<b>Opening Balance 1 April</b>	<b>(2,469)</b>	<b>(4,476)</b>
Transfer to Reserve in year		
Depreciation Dwellings	(7,866)	(7,720)
Depreciation Non-Dwellings	(45)	(47)
Transferred to HRA in year	4,033	4,023
<b>Sub-total (equivalent to MRA in note 6)</b>	<b>(3,878)</b>	<b>(3,744)</b>
Voluntary MRP	170	155
Used to fund capital expenditure in year	4,914	5,755
Interest Received	(14)	(159)
<b>Closing Balance at 31 March</b>	<b>(1,277)</b>	<b>(2,469)</b>

# Housing Revenue Account – Notes to the Accounts

## 10. Interest Payable Premiums and Discounts

When the Council repaid its external debt in 2001/2002 it was required to pay a premium to the lender and the original premium charged of £3.610 million is being written off over 10 years. The balance on the Financial Instruments Adjustment Account represents the balance of the premium, as at 31 March, still to be written off. In 2009/2010 £365,000 has been written off to the HRA leaving a balance of £253,000 in the FIAA as at 31 March 2010, which will be charged to the HRA over the next 2 years.

An equivalent amount is received in subsidy from the government, as a reduction in the negative subsidy payable, so the net impact on the HRA is nil.

## 11. Pension Costs

Pension costs have been shown in accordance with FRS 17.

Full details of the pension costs for the whole Authority are included within Note 29 to the Core Financial Statements.

	2009/2010 £'000	2008/2009 £'000
Net Cost of Services:		
- Current Service Cost	193	206
Net Operating Expenditure:		
- Interest Costs	861	385
- Expected return on assets in the scheme	(297)	(311)
<b>Net charge to the HRA</b>	<b>757</b>	<b>280</b>
Amounts to be met from Government Grants and Local taxation:		
- movement on pensions reserve	(207)	122
<i>Actual amount charged against Council tax for pensions in the year:</i>		
<b>Employers' contributions payable to the scheme</b>	<b>550</b>	<b>402</b>

## Collection Fund Income and Expenditure Account

This account represents the statutory requirement to maintain a separate Collection Fund for collection and distribution of amounts due and payable in respect of Council Tax and National Non-Domestic Rates.

2008/2009			2009/2010
£'000		Note	£'000
	<b>Income</b>		
(81,246)	Council Tax	1	(83,885)
(5,780)	Transfers from General Fund - Council tax benefits		(6,496)
(54,791)	Income collectable from business ratepayers	2	(56,913)
<b>(141,817)</b>	<b>Total Income</b>		<b>(147,294)</b>
	<b>Expenditure</b>		
	Precepts and Demands:		
65,106	Hertfordshire County Council		67,966
8,230	Hertfordshire Police Authority		8,676
12,333	St Albans District Council (including Parishes)		12,570
<b>85,669</b>			<b>89,212</b>
	Business rates		
54,219	- Payment to National Pool		56,392
572	- Costs of collection allowance		521
<b>54,791</b>			<b>56,913</b>
	Bad and Doubtful Debts Council Tax		
140	- Net Write offs/(ons)		63
110	- Provisions for uncollectable amounts		213
<b>250</b>			<b>276</b>
	Contributions		
1,056	Distribution of estimated Collection Fund surplus	3	1,445
<b>141,766</b>	<b>Total Expenditure</b>		<b>147,846</b>
<b>(51)</b>	<b>Movement on Fund balance</b>	<b>3</b>	<b>552</b>
(1,230)	Balance at 1 April brought forward		(1,281)
<b>(1,281)</b>	<b>Balance at 31 March carried forward</b>	<b>4</b>	<b>(729)</b>

# Collection Fund – Notes to the Accounts

## 1. 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, Hertfordshire Police Authority, 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).

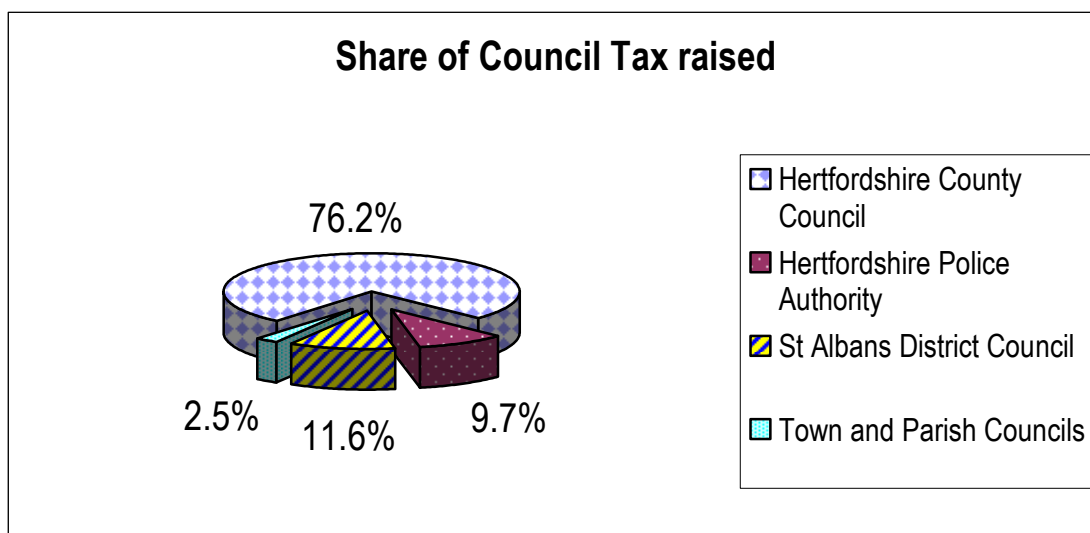
Taxes for other bands are derived by applying the ratios in the following table to the band D tax.

Band	Property Value	Number of dwellings	Ratios	Band D equivalents
A	up to £40,000	719	0.67	482
B	between £40,001 and £52,000	2,294	0.78	1,789
C	between £52,001 and £68,000	7,363	0.89	6,553
D	between £68,001 and £88,000	13,850	1.00	13,850
E	between £88,001 and £120,000	11,373	1.22	13,875
F	between £120,001 and £160,000	8,148	1.44	11,733
G	between £160,001 and £320,000	6,649	1.67	11,103
H	over £320,000	988	2.00	1,976
		<b>51,384</b>		<b>61,361</b>
	Less adjustment for non-collection (1.0%)			(614)
<b>Council Tax Base for 2009/2010</b>				<b>60,747</b>
Council Tax Base for 2008/2009				60,221

Council Tax Levy at Band D by Precepting Authority:

2008/2009		2009/2010
£1,081.12	- Hertfordshire County Council	£1,118.83
£136.67	- Hertfordshire Police Authority	£142.82
£170.88	- St Albans District Council	£170.91
<b>£1,388.67</b>		<b>£1,432.56</b>
£33.92	- Add Town and Parish Councils	£36.02
<b>£1,422.59</b>	<b>Average Council tax Levy at Band D</b>	<b>£1,468.58</b>

## Collection Fund – Notes to the Accounts



### 2. Income From Business Rates (NNDR)

The Council collects non-domestic rates for its area based on local rateable values multiplied by an amount specified by Central Government (the non-domestic rating multiplier). The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government. A share of the pool based on a standard amount per head of the local population is paid back to the Council. This amount is paid to the General Fund ('Non-Domestic Rates redistribution' in the Income and Expenditure Account) and not to the Collection Fund.

2008/2009		2009/2010	
£ 135,006,405	Rateable value at 31 March 2010 per Valuation Office Agency	£ 133,661,012	
46.2p	NNDR rate poundage	48.5p	
45.8p	Small business rate NNDR	48.1p	

### 3. Contributions to Collection Fund Surpluses and Deficits

Each January, the Council estimates what the Collection Fund balance will be on 31 March. If there is an estimated surplus or deficit, it has to be shared between, or recovered from, the Council and the major precepting authorities during the following year. It was estimated that there would be a surplus at 31 March 2009 and this was distributed in 2009/2010 in proportion to the precepts paid in 2008/2009 as follows:

## Collection Fund – Notes to the Accounts

2008/2009 £'000		2009/2010 £'000
	<b>Precepting Authorities</b>	
780	- Hertfordshire County Council	1,144
98	- Hertfordshire Police Authority	145
178	- St Albans District Council	156
<b>1,056</b>	<b>Total surplus</b>	<b>1,445</b>

### 4. Fund Balance Carried Forward Allocation

The surplus/deficit arising on the Collection Fund will be distributed/recovered in two parts – the estimate of the surplus for 2009/10 (made in January 2010) will be shared on the basis of the proportionate make up of the bills for the 2009/2010 year of account. The difference between this estimate and the outturn in the 2009/2010 Statement of Accounts will be shared according to the proportionate make up of the bills for the 2010/2011 year of account.

This results in the following allocation:

2008/2009 £'000		2009/2010 £'000
998	- Hertfordshire County Council	526
127	- Hertfordshire Police Authority	68
<b>1,125</b>	<b>Precepting Authorities balance</b>	<b>594</b>
156	- St Albans District Council (including Town & Parish Councils)	135
<b>1,281</b>	<b>Total Collection Fund Surplus</b>	<b>729</b>

In accordance with the new SORP accounting for the Collection Fund in 2009/2010, the 'precepting authorities balance' above has been amalgamated with the precepting authorities' shares of the council tax arrears, impairment provision and prepayments and the net balance included in current asset debtors in the Balance Sheet.

# Annual Governance Statement

## ST ALBANS CITY AND DISTRICT COUNCIL ANNUAL GOVERNANCE STATEMENT 2009/2010

### **Scope of responsibility**

St Albans City and District Council 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, having regard to a combination of economy, efficiency and effectiveness.

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

The Council has developed a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework “Delivering Good Governance in Local Government”.

A copy of the code is on the Council’s website ([www.stalbans.gov.uk](http://www.stalbans.gov.uk)) or can be obtained from The Monitoring Officer, Legal and Democratic Services, St Albans City and District Council, Civic Centre, St Peter’s Street, St Albans, Hertfordshire AL1 3JE.

This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control. (This has to be produced in line with “proper practices” which guidance suggests is derived from advisory documents from CIPFA and SOLACE such as the one mentioned above.)

### **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, aims and objectives. Its aim is to evaluate the likelihood of those risks being realised, and the impact should they be realised, and to manage them efficiently, effectively and economically.

# Annual Governance Statement

The governance framework described in this statement has been in place at St Albans City and District Council for the year ended 31 March, 2010 and up to the date of approval of the statement of accounts.

## The Council's governance arrangements

Full details of the Council's Governance Arrangements are included in the Authority's code of corporate governance, but key systems and processes are summarised below.

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. The authority's vision and priorities have been developed to reflect citizens' views on what they want from their local area and Council – through feedback from the 2008/2009 Place Survey and other resident/stakeholder consultation events. They are also influenced by the area's Sustainable Community Strategy, results of external inspection reports and national and local political priorities. They are implemented through the corporate and service planning processes of the Council.

The vision and priorities of the Council are reviewed following the Authority's elections which are held on a three out of every four year cycle and currently the vision is

*Historic St Albans District : A Premier Community*

The vision and 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 newspaper – Community News – posters, leaflets, and the Council website. They are promoted internally through new staff and councillor induction and staff briefing at team and organisational levels.

The aims and priorities of the Council provide a framework within which service delivery is carried out. The **quality of Council services** is measured and reviewed through measurement of performance indicators (set locally and nationally) and reporting of key performance indicators through a budget and performance summary (to the Council's Cabinet, Overview and Scrutiny Committees and Chief Executive's Board).

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) and consultation (e.g. in housing, environment, leisure and planning services). 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. Councillors and officers have distinct responsibilities**, working in partnership to lead and manage the Authority. They are made aware of the way in which the Council works and makes decisions through working to the constitution of the authority and training and briefing.

# Annual Governance Statement

Elected members focus on the policy of the Council. Officers and members work together to develop strategy – how policy is carried out through service delivery and Council activity. Officers' responsibilities in the Council centre on operational management of business and services.

Specifically, 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 through Article 7 of the constitution, and setting out of local choice functions in Part 3. Also, detail about officer roles is given in job descriptions, which are used in performance management of 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.

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

The member/officer relationship is subject to a protocol which is distributed to all members and staff and the subject of induction training. This is set out in the constitution. Performance of officers is monitored through the appraisal scheme, and tracking of targets for services. 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, via the Council's Standards Committee.

The constitution includes financial regulations and a scheme of delegation which defines financial decision making, and these are regularly updated. Decision making in St Albans is a process that involves the consideration and reflection of appropriate legal advice, either regarding a specific decision, or by means of the constitutional frameworks described above.

As well as the financial, legal and audit regulations in place, other arrangements for **monitoring in the authority** include contract and procurement, whistle blowing, fraud response and counter fraud policies and procedures. Contracts over £250,000 are monitored in relation to contract procedure. Recently revised health and safety procedures include provisions for the recent Corporate Manslaughter Act.

The Council's **complaints procedure** ensures that service users and citizens are able to gain 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. A review of the current complaints procedure (March 2010) has identified a number key improvements, These improvements include: developing the Council's CRM system to capture complaints; reducing the number of stages within the complaints process from three to two and introducing a "Single Point of Contact" for complaints via the Customer Service Centre.

# Annual Governance Statement

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 individuals' roles and responsibilities.

Training is also offered to councillors as relevant to their roles (licensing, planning, audit, standards etc.), in face to face/group settings as well as on-line modules through the Modern Councillor e-package. 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 New Local Government Network (NLGN) website. The Council's annual elected member training programme is updated and communicated to councillors via the Council's monthly Member Information Bulletin. Councillors will be offered personal development planning as part of the Council's commitment to achieve Elected Member Development Charter status.

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.

Members of the Chief Executive's Board are appraised, in part, through monitoring of key targets which are linked to their departments' business plans. 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 has a communications strategy in place which sets out principles for the Council's communications generally and includes an implementation plan focusing on a number of key deliverables to improve both external and internal communications in 2010/11. A communications plan is also developed for all key corporate projects. Planning is carried out as to how to communicate with staff, councillors and residents on each of these projects.

The Local Strategic Partnership has a communications strategy in place to ensure that it provides information in a transparent way as possible. A key part of this is the annual Community Conference, to which a wide number of stakeholders and community representatives are invited, and at which an annual progress report on the LSP's delivery of the Sustainable Community Strategy is presented. It is also an opportunity for stakeholders to give feed back on and shape the LSP's priorities over the coming year.

The Council communicates information to the public through a variety of mechanisms including the following – Corporate Plan and Annual Report, Council Tax leaflet, Community News, website, service and issue based leaflets.

Every effort is made for Council meetings to consider issues in public unless there are very good reasons for confidentiality. Currently Planning meetings, Full Council, Cabinet and Overview and Scrutiny Committee meetings are webcast to enable the public to view these remotely.

# Annual Governance Statement

Comprehensive arrangements are in place to **research citizens' views and consult them** on policies and proposals of the Council. A bi-annual survey of service satisfaction and corporate reputation is carried out. A representative sample of residents makes up a Community Panel of over 1000. The community panel is consulted on major initiatives and projects, such as budget making, using both quantitative and qualitative methodologies. Individual service departments are able to draw upon the Panel for their own consultation activities. There are established processes in place for planning and feedback of consultation activities.

New mechanisms for liaison, consultation and communication have been set up as part of the Council's Review of Democratic Arrangements, namely the St Albans City Forum and Parish Consultative Conference. Other area and topic specific meetings for parks/leisure and specific services such as housing ensure that service users are consulted and informed. Partnership meetings for the Local Strategic Partnership and the Community Safety Partnership, for example, are ways in which statutory and voluntary partners are informed, and consultations about these partnerships (e.g. the Local Strategic Partnership community conference) ensure that citizens are engaged.

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, which details, in particular, the approach the Council is using in its Local Development Framework process. Housing initiatives have included invitation of tenants onto 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, as detailed earlier in this document.

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.

Staff and their representatives are involved in decision making through a number of processes. Regular and consistent involvement of Unison and activity of the Joint Consultative Committee are formal mechanisms 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 Local Strategic Partnership has a constitution in place which states the purpose of the LSP, its structure, how it works, the roles and responsibilities of member partners and arrangements for monitoring the work of the partnership and its finances. The constitution is regularly updated. There is provision in the Local Strategic Partnership constitution for the leader of the District Council to be the chair or vice chair of the Local Strategic Partnership, as well as seats for all main parties on the LSP Board which helps to strengthen the democratic accountability of the Partnership. Induction training is held for all new members of the LSP. Accountability to the community is ensured through the annual Community Conference, and annual reports on the LSP's progress on the Sustainable Community Strategy.

# Annual Governance Statement

Other thematic partnerships, such as the Crime and Disorder Reduction Partnership have in place terms of reference which refer to the responsibilities of the partnership and individual members. This Partnership has been assessed by the Audit Commission as being of a very high standard.

## 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 control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

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

- political priority setting process
- setting of business planning and budget framework
- review of executive decision making (Standards Committee)
- review of terms of reference of Committees
- review of Internal Audit activity (Audit Committee) – more information on this given below.
- action planning as a result of internal and external review processes
- work planning programmes of Overview and Scrutiny Committees, reviewing and calling-in decisions as well as making recommendations on policy
- Annual Reporting of the Council overall and specific functions including Overview and Scrutiny, Internal Audit
- Continuing work on improvements to Business Continuity and Disaster Recovery Planning

Concerning **Internal Audit** activity, regulation 6 of the Accounts and Audit (Amendment) (England) Regulations 2006 came into force on 1<sup>st</sup> April 2006. This 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 (in SADC's case, 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 CIPFA Code of Practice for Internal Audit in Local Government 2006;
- Quality Control Questionnaires (QCQs) which Internal Audit issue with every final report;
- statements made by the External Auditor;
- Performance Indicators;
- value for money assessment.

# Annual Governance Statement

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.

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

- the work of the Council's Heads of Service and other senior managers;
- the work of the Council's Internal Audit Department including the Annual Report of the Head of Internal Audit which provides assurance in this regard;
- the work of the Council's External Auditor – including the Annual Audit and Inspection Letter and other reports, especially in relation to financial aspects, and other aspects of the Council's governance which will be reviewed in June 2010
- review of Risk Registers

A plan to address weaknesses and ensure continuous improvement of the system is in place.

With regards to internal audit,

- The Head of Internal Audit is the Chair of SADC's Risk Management Group, the Anti Fraud Group and the Information Management Group
- Management receive draft Internal Audit reports which are discussed with them and recommendations agreed
- The Head of Internal Audit is permitted (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 2009 / 2010 were submitted to the Audit Committee for consideration. Members have asked questions to the Head of Internal Audit about the contents of these reports

Following the loss of a laptop containing the personal information of postal voters the Authority implemented a number of actions to minimise the risk of a recurrence.

In addition the Information Commissioners Office (ICO) were notified of this and the actions which the council had implemented. The ICO required the Council to sign a formal undertaking which set out the actions they required the Authority to undertake. The ICO indicated their satisfaction with the actions agreed by the Authority.

The Council will ensure that sufficient capacity is available to fully deliver its internal audit plan on a timely basis and the Head of Audit has put in place appropriate processes to ensure that the work undertaken within the Internal Audit section is of sufficient quality.

# Annual Governance Statement

The Council has taken steps to improve its arrangements for the production of financial statements that meet statutory requirements and professional accounting standards by ensuring that sufficient resources with the requisite skills are available to support the accounts production, by ensuring that entries in the accounts are supported by good quality working papers which are available at the start of the audit and ensuring that the financial statements and working papers have been subject to robust quality assurance by officers prior to approval by the Audit Committee.

## Significant governance issues

Governance issues to be addressed in the forthcoming year, 2010/2011, have been identified as below. These have been identified from the Organisational assessment by the Audit Commission and the work of Internal Audit:

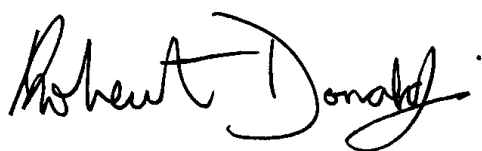
Areas for improvement	Actions
Public satisfaction with the Council is a little below average, although people rate the district highly as a place to live.	The Council is taking steps to communicate more effectively. The communication strategy includes steps such as producing factsheets on the key topics residents ask us about, a comprehensive A-Z of Council services, and a new look community publication, all of which will improve residents understanding of what the Council does.
The Council is providing more support for vulnerable people, but it is still not doing enough to ensure that it treats all customers equally.	The Council is developing a Single Equalities Scheme which will help to deliver the new customer service standards as shaped by piloting the Communities and Local Government toolkit and with the input of staff, councillors and customers. As well as work that the Council is doing, the LSP's developing inequalities work to deliver health and other projects in communities that most need support will also address this.
The Council has only a limited understanding of its costs, which makes it harder for it to continue to improve its efficiency.	The Council will be reviewing some key costs across all areas and detailed costs in some high priority services and looking to develop the work already underway on overheads and contracts to provide a prioritised response to this point. (In this context the Audit Commission, who worded this point mean "unit costs" and "cost trends" and are not saying the Council has a limited understanding of its budgets).
The effectiveness of the Council's internal control framework is inconsistent.	The internal audit work plan has been revised to make sure the most important areas are looked at as a priority.

# Annual Governance Statement

<p>Generally the Council has the skilled staff it needs to help it keep improving but they are under pressure. The Council is addressing staff shortages but staff turnover is high. The Council is still reducing staff to make more services more efficient. Pressure on staff makes it harder for the Council to do all the things it is planning to deliver high quality services.</p>	<p>Ongoing implementation of the Business Improvement Programme to make further improvements to the way we work, to provide more with less resources and reduce the pressure on staff. The programme looks to strip out duplication and modernise services by making the most of latest technology and is likely to result in further services being offered through our dedicated central telephone or face to face customer service centre, reducing back office work. Staff are fully involved in the programme with some volunteering to become change leaders. Opportunities for partnership working and sharing services with other councils are being sought.</p>
<p>Laptops – a lap top was stolen which contained personal data. The Council was found to be in breach of the Data Protections Act.</p>	<p>The Council has given an undertaking to the Information Commissioner to ensure that steps are taken to ensure staff and contractors are made fully aware of security procedures and adequate checks will be carried out on contractors' staff The Council has instituted new physical security for all its laptops and revised and issued a new IT security policy.</p>
<p>Parking – an appeal against a ticket highlighted problems with the enforcement of some parking tickets.</p>	<p>The Council has revised its procedures for issuing Traffic Orders to ensure that they include all relevant information, are progressed appropriately and are fully enforceable</p>
<p>Housing Rents - Former tenants' arrears have shown an increase of nearly 20% from the previous year. The Housing department has agreed to use bailiffs in pursuing the debts some time ago but at the time of the audit, no cases had been referred to the bailiffs.</p>	<p>The Housing Management Officer has sent details of former tenant arrears to the bailiffs as a matter of urgency.</p>

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

Signed:



Leader of the Council

Chief Executive



# The Independent Auditor's Report

## Independent auditor's report to the Members of St Albans City and District Council

### Opinion on the accounting statements

I have audited the Authority accounting statements and related notes of St Albans City and District Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund, and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of St Albans City & District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

### Respective responsibilities of the Chief Finance Officer and auditor

The Chief Finance Officer's responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Foreword to the Statement of Accounts. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

# The Independent Auditor's Report

## Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

## Opinion

In my opinion the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

# The Independent Auditor's Report

## Authority's Responsibilities

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

## Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## Qualified Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice. In so doing, I identified the following:

- weaknesses in the processes for monitoring the work of the Authority's Internal Audit function, and for ensuring Internal Audit work on the Authority's key financial systems is undertaken on a timely basis;
- the Authority did not put in place adequate measures to protect data stored on laptops and other portable devices; and
- the accounting statements submitted for audit contained material errors and did not comply with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice.

Having regard to relevant criteria specified by the Audit Commission for principal local authorities published by the Audit Commission in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, St Albans City and District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010 except for:

- managing its risks and maintaining a sound system of internal control;
- producing relevant and reliable data and information to support decision making and manage performance; and
- financial reporting that is timely, reliable and meets the needs of internal users, stakeholders and local people.

# The Independent Auditor's Report

## Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Mark Hodgson

Officer of the Audit Commission  
Regus House,  
1010 Cambourne Business Park,  
Cambourne,  
Cambridge,  
CB23 6DP

30 September 2010

# Glossary of Terms

## Accounting Policies

The principles, bases, conventions rules and practices we apply 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 had 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

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that 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, buildings, land, vehicles, machinery, cash, investments etc. It is always considered in comparison with liabilities in an organisation's accounts.

## Area Based Grant (formerly Local Area Agreement Grant - LAAG)

From the 2008/2009 financial year the LAAG has been replaced by the Area based Grant. This is a non-ringfenced general government grant.

## Best Value

A legislative requirement to review all of the Council's services over a period of time with a view to providing ongoing improvements in efficiency. Local Authorities have a duty to consult users, challenge service provision, compare and compete with other providers.

## Budget

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

## 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 or extend the life of those assets.

# Glossary of Terms

## **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 an authority. 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.

## **Carry Forward**

The transfer of a surplus or deficit from one accounting period to the following accounting period (*generally from one financial year to the next*).

## **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.

## **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. Payments to, or receipts from, the non-domestic rates pool also go through the fund. Precepts are paid from the fund, as is charging the Council's own requirements.

## **Collection Fund Adjustment Account**

This account holds the difference between the income included in the I & E 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, 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.

# Glossary of Terms

## **Creditor**

An amount owed by the Council for work done, good 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 by the Audit Commission to carry out independent examinations of the activities and accounts of local authorities.

## **Fees and Charges**

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

## **Final Accounts**

Accounts prepared relating to an accounting period.

## **Financial Year** (also referred to as Fiscal Year)

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

## **Financial Regulations**

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

## **Fixed Assets**

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

## **FRS – Financial Reporting Standard**

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

# Glossary of Terms

## **GAAP - Generally Accepted Accountancy Principles**

A combination of authoritative standards (set by policy boards) and the accepted methods of accountancy. The idea behind GAAP 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.

## **General Fund (GF)**

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 an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

## **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 toward 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.

## **Impairment**

The diminution in value of an asset due to either 'consumption of economic value' (e.g. physical damage or wearing out) or a general fall in prices (e.g. a significant decline in an asset's market value).

## **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 which have no tangible value, such as construction or improvement to highways and footpaths.

## **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 authority. Investments which do not meet this criteria are short term investments and are classified as current assets.

## **Liabilities**

Amounts owed by the Council for goods or services received.

# Glossary of Terms

## **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 Incentives (LABGI) is a government grant designed to give local authorities an incentive to encourage local economic and business growth.

## **Minimum Revenue Provision (MRP)**

This is the amount prescribed by legislation, that local authorities have to set aside annually to repay their capital debt. The minimum is 4% of outstanding debt for the General Fund. There is no longer a statutory requirement to repay HRA debt but the authority continues to make voluntary contributions equivalent to the 2% statutory requirement in force prior to 1 April 2005.

## **Negative Housing Subsidy**

Housing Subsidy calculations must accord with Government determinations. In cases where negative elements (e.g. rent income) exceed positive elements (e.g. capital charges) the authority is required to pay the net negative amount to the Government.

## **NNDR – National Non-Domestic rates**

Often called Business rates, these are rates charged on properties other than domestic properties. The business rate poundage is set annually by Central government and is a flat rate throughout the country.

## **Non-Operational Assets**

Fixed assets held by a local council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are commercial and industrial properties held for letting.

## **Operational Assets**

Fixed 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 Authority's performance against targets and performance indicators.

## **Post Balance Sheet Events**

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

# Glossary of Terms

## **Precepts**

The levy made by one Council on another. Hertfordshire County Council and Hertfordshire Police Constabulary, who do not administer the council tax system, each levy an Amount on St Albans City and District Council, which collects the required income from local taxpayers on their behalf

## **Provisions**

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

## **REFCUS - Revenue expenditure funded from capital under statute.**

This is expenditure that does not fall within the SORP's definition of fixed 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 buy or build 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 interests 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.

## **SORP - Statement of Recommended Practice**

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.

# Glossary of Terms

## **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.

## **Stocks**

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

## **Total Cost**

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

## **Trading Account**

A statement detailing expenditure and income for a discrete activity.

## **Variance**

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