



**Statement of  
Accounts  
2006-2007**

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# Explanatory foreword to the Statement of Accounts

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## 1. Explanatory Notes

The Council's accounts for the year 2006/2007 are set out on pages 15 to 49. There have been considerable changes to the way the accounts are presented compared to last year due to new accounting and reporting requirements contained in the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2006 (the SORP).

The accounts now consist of a set of core financial statements (followed by notes to these statements) and supplementary statements as follows :

### 1.1 Core financial Statements

- a) **Income and Expenditure Account (I&E Account).** This statement reports the full cost of the functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants, fees and charges and income from local taxpayers.
- b) **Statement of the Movement on the General Fund Balance.** The I&E Account has been prepared using essentially the same accounting conventions, UK Generally Accepted Accounting Principles, (GAAP) as a large unlisted company. However, there are items of income and expenditure that need to be credited or charged to the General Fund to determine the council's budget requirement and in turn its Council Tax demand that are determined by statute and non-statutory proper practices rather than in accordance with GAAP. This statement shows the items that are required by statute and non-statutory proper practice and includes items such as depreciation, which is charged to the I&E Account but which cannot be charged to the General Fund.
- c) **Statement of Total Recognised Gains and Losses (STRGL).** There are gains and losses reflected in the Balance Sheet and therefore the net worth of the council that are not debited or credited to the I&E Account. These include gains on the revaluation of assets and pension actuarial gains and losses, which are deemed to have arisen from asset and liability revaluations rather than from the council's operating performance. The STRGL brings together the outturn from the I&E Account with all of these other gains and losses to show the total movement in the council's net worth for the year.
- d) **Balance Sheet.** This statement shows the council's balances and reserves, its long term indebtedness and the fixed and net current assets employed in its operations together with summarised information on the fixed assets held. It includes all of the assets and liabilities of the council covering the General Fund, HRA and Collection Fund.
- e) **Cash Flow Statement.** This statement summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes.

### 1.2 Supplementary Statements

- a) **The Housing Revenue Account (HRA) Income and Expenditure Account and Statement of Movement on the HRA Balance.** This statement reflects a statutory obligation to maintain a revenue account for the provision of local authority housing in accordance with Part 6 of the Local Government and Housing Act 1989. The first part of the statement shows expenditure on Council housing and how this is met by rents, interest and other income prepared in accordance with the SORP. The second part reconciles the surplus or deficit on the HRA I&E Account to the movement on the Housing Revenue Account Balance for the year.

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### **1.2 Supplementary Statements (continued)**

- b) **The Collection Fund (England)** This account reflects the statutory requirement to maintain a separate Collection Fund, which shows the transactions of the council as a billing authority in relation to Council Tax and National Non-Domestic Rates and illustrates the way in which these have been distributed to preceptors and the General Fund.

### **2. Local Authority Finance**

Local Authority expenditure falls into two distinct categories – Revenue expenditure, which is generally on items consumed within one year and used in the day to day running of Council services, and Capital expenditure on items that have a benefit for more than one year (e.g. acquisition or enhancement in value of tangible assets).

Revenue expenditure 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.

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. The Housing Revenue Account repaid debt equivalent to the previous statutory requirement for Minimum Revenue Provision in 2006/2007 and pays interest to the General Fund on its net outstanding internal debt.

### **3. How Collection Fund Income is Divided**

Although Council Taxpayers and National Non-Domestic Ratepayers pay all their Council Tax and National Non-Domestic Rates to the District Council, the amounts collected are shared between four types of authority (see below). All income from Council Tax and National Non-Domestic Rates is paid into the Collection Fund. National Non-Domestic Rates are subsequently paid into the national pool from which the authority receives a contribution based upon population. Council Tax income for 2006/2007 is shared as follows:

District Council 12.1%, Hertfordshire County Council 76.0%, Hertfordshire Police Authority 9.6% and (*for certain parts of the area*) Parish Councils 2.3%.

## Explanatory foreword to the Statement of Accounts

### 4. Income and Expenditure - Comparison of Actual with Budget

A comparison of the budget with actual income and expenditure for 2006/2007 is shown below – this follows the new format of the Income and Expenditure Account shown in full on page 15:

	Budget £'000	Actual £'000	Variance £'000
Net expenditure on services	22,619	21,758	(861)
Parish Precepts	1,829	1,829	-
Contribution of Hsg capital receipts to Government	1,712	1,995	-
Interest and Investment Income	1,995	(1,701)	(549)
Contribution from trading undertakings	(1,152)	(416)	62
Pensions Accounting Adjustments	(478)	368	(598)
Gains and losses on disposal of assets	966	188	188
<b>Net Operating Expenditure</b>	<b>25,779</b>	<b>24,021</b>	<b>(1,758)</b>
Business Rates redistributed by the Government	(6,074)	(6,074)	-
Central Government Grant (Formula Grant)	(1,173)	(1,173)	-
Local Authority Business Growth Incentive grant	(150)	(291)	(141)
Share of Collection Fund surplus	(198)	(198)	-
Council Tax Income	(11,334)	(11,334)	-
<b>Net cost for year</b>	<b>6,850</b>	<b>4,951</b>	<b>(1,899)</b>
Adjustments to this net cost to reflect the actual General Fund balance:			
Depreciation, deferred charges, capital receipts etc	(4,549)	(5,050)	(501)
Net adjustments for Pension costs	(966)	(270)	696
Transfer to/from Hsg Rev Acc, earmarked reserves	(359)	(192)	167
<b>Reduction / (Increase) in General Fund balance</b>	<b>976</b>	<b>(561)</b>	<b>(1,537)</b>
Balance brought forward	(3,828)	(4,108)	(280)
<b>Surplus on General Fund carried forward</b>	<b>(2,852)</b>	<b>(4,669)</b>	<b>(1,817)</b>

The table shows that, in overall terms, the Council's net spending for 2006/07 was £1,537,000 less than originally budgeted. During the year there were a number of variations from the original budget, the most significant being:

- i) Improvements of £526,000 from interest received, due to an increase in the level of balances held and higher interest rates.
- ii) Increased recycling income and some cost reductions have led to a net surplus on the recycling budget of £337,000.
- iii) Reductions in the overall costs to the Council in the year of Housing and Council Tax Benefits of £216,000.
- iv) Higher income of £113,000 from Planning fees, Land Searches and various licensing fees.
- v) Grant from the Local Authority Business Growth Incentive scheme was £141,000 more than anticipated.

## **Explanatory foreword to the Statement of Accounts**

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### **5. Capital (General Fund and Housing)**

In 2006/2007, the Council spent £5.758m on improvements and major repairs to Council dwellings and £759,000 was applied to support housing association developments.

In 2004/05 new Government regulations restricted the use of housing capital receipts. This new regime means that by 2007/08 75% of all capital receipts from right-to-buy sales will be paid directly to a Government pool. This change is being phased in over 3 years with transitional arrangements for authorities that were debt free on 31 March 2004. As a result, the Council was able to utilise 43.75% of housing capital receipts during the current year. In 2006/07 a significant proportion of capital expenditure was financed from the Major Repairs Allowance, the balance of funding requirements coming from other sources including Government capital grants, third party contributions, the Special Projects Reserve and supported capital expenditure.

### **6. Assets, Liabilities and Provisions**

#### **Assets**

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 by £28.0m for 2006/07 (compared to the reduction of £68.3m in 2005/06, which was due to the reduction in the 'Vacant Possession Adjustment Factor' provided by the government in that year).

#### **Provisions**

The Council has made no significant changes to its provisions during the year.

### **7. Retirement Benefits**

The Retirement Benefits net liability in the Balance Sheet of £26 million is a significant figure. It is an estimate of the future pensions payable to past and current employees. 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.

### **8. Borrowing Facility and Capital Borrowing**

The Council has an approved overdraft facility of £1m. As at 31 March 2007 the Council had no external loan debt and remained debt-free during the year. The Council also has short-term external investments totalling £26.2 m.

## **Explanatory foreword to the Statement of Accounts**

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### **9. Overall Financial Position**

As at 31 March 2007 the Council's General Fund balance was £4.669m. The General Fund net surplus for the year was £561,000. Significant variations from budget are detailed in note 4 on page 4.

The Housing Revenue Account balance decreased by £457,000 from £1,565,000 to £1,108,000. Further details are given on pages 41 to 47.

### **10. Major Influences on Expenditure, Income and Cash Flow**

With effect from April 2006 Council rents were increased by an average of 5% in line with the Government's guideline on rent increases. This meant that individual rents increased by between 0.5% and 8.4% depending on what level of rent the tenants had paid previously paid. The District Council's element of Council Tax increased on average by 2.25%. National Non-Domestic Rates increased by 2.61% on average, although poundages were reduced to reflect increases in property values. The Council's income from Revenue Support Grant and redistributed National Non-Domestic Rates increased by 10.78%

### **11. Changes in Accounting Policy**

In the 2006/2007 Statement of Accounts, the council has adopted three significant new accounting policies as required by the Statement of Recommended Practice 2006 (the SORP). The changes relate to the charging of capital finance charges, the amortisation of deferred government grants and the gains and losses on the disposal of assets. These changes have had an impact on the comparative figures for 2005/2006, which have been restated. Full details of the changes and a reconciliation of the 2005/2006 figures (reported in the 2005/2006 Statement of Accounts) to the prior year figures reported in the 2006/2007 Statement of Accounts are shown in note 1 to the Core Financial Statements.

### **12. Further Information**

The Council has a policy of providing full information about its affairs. Further information about the accounts is available from the Head of Finance, 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 have been audited and the Auditor's certificate included at page 56.

### **13. Related Party Transactions**

The Accounting Code of Practice for Local Authorities requires that Councils show '*related party transactions*' as a disclosure note within the annual Statement of Accounts. Councillors and Strategic Directors/Heads of Service have completed statements indicating the type and nature of any such transactions. The Council has investigated its records and sought declarations from Councillors and Strategic Directors/Heads of Service. Although some Councillors have declared transactions they are deemed to be not material. Further details are provided in note 8 to the core financial statements on page 24.

## **Explanatory foreword to the Statement of Accounts**

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### **14. Declaration**

I declare that the Statement of Accounts presents fairly the financial position of the Authority and its income and expenditure for the year ended 31 March 2007.



**S Burd**  
**Head of Finance**

**Date: 28<sup>th</sup> September 2007**

### **15. Approval**

The Accounts and Audit Regulations 2003 require that the unaudited accounts be approved by the Council or a Committee by 30 June 2007. The accounts were submitted to and approved by Overview and Scrutiny (Corporate Services) on 27 June 2007.

I confirm that these accounts were approved at the meeting held on 27 June 2007.  
Signed on behalf of the Council on

**Date: 27 June 2007**



**Councillor R Mills**  
**Chairman of the Overview and Scrutiny (Corporate Services) Committee**

# Statement of Accounting Policies

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## 1. General Principles

The Statement of Accounts summarises the council's transactions for the 2006/2007 financial year and its position at the year-end 31 March 2007. It has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2006' (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 receivable on investments and payable on borrowings is accounted for in the year to which it relates, on a basis that reflects the overall effect of the investment or loan. Interest earned and paid is allocated to the General Fund, the Housing Revenue Account and other accounts based on their balances and in accordance with legislation.
- 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.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

## 3. 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.

## Statement of Accounting Policies (continued)

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### 4. Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as income at the date 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.

### 5. 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 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 2.1% real (based on the indicative rate of return on high-quality corporate bond (iBoxx Sterling Corporate Index, AA over 15 years).
- The assets of the Hertfordshire Local Government Pension Fund attributable to the Council are included in the balance sheet at their fair 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;

## Statement of Accounting Policies (continued)

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### 5. Retirement Benefits (continued)

- 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.

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

### 6. VAT

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

### 7. 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 2006*. The total absorption costing principle is used i.e. 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 – (e.g. *members' attendance allowances and expenses*) costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs

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

### 8. Revenue Charges for Fixed Assets and Deferred Charges

It is current practice to charge minor items of expenditure of a capital nature directly to revenue.

In addition the Housing Minimum Revenue Provision (MRP), previously required by statute to be set aside to meet future principal repayments on outstanding loans, has been continued on a voluntary basis and been calculated and used to repay internal debt outstanding in respect of capital expenditure in previous years. No Minimum Revenue Provision is required to be paid by the General Fund as there is no outstanding General Fund debt.

## Statement of Accounting Policies (continued)

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### 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 their estimated useful life.

### 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.

#### 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 and surplus assets – open market value.
- Dwellings, other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable 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 Fixed Asset Restatement Account to recognise unrealised gains.

#### 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 the Fixed Asset Restatement Reserve.

Fixed assets are recorded in the accounts at either Existing Use Value (EUV) for non-specialised operational properties or open market value for investment properties in accordance with CIPFA guidance. They represent expenditure on the acquisition or enhancement in value of tangible assets, which yield benefit to the authority for more than one year.

#### 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).

## Statement of Accounting Policies (continued)

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### 10. Tangible Fixed Assets (continued)

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, allowances and a phasing in allowance) is payable to the Government. The proportion paid to the National Pool in 2006/07 was 56.25%. The balance of receipts is required to be credited to the Usable 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.

### 11. Depreciation

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

The Council's other land and buildings are depreciated on the following basis:

- Dwellings and other buildings – straight-line allocation over the life of the property as estimated by the valuer. Land and buildings are split 40:60 and only buildings have been depreciated.
- 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 those assets purchased or disposed of in the financial year that the accounts relate to.

### 12. 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;
- 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. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to HRA activity). 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.

## **Statement of Accounting Policies (continued)**

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### **13. Deferred Charges**

Deferred charges represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. They consist mainly of home renovation grants awarded to private homeowners which are financed by Government grants and capital receipts in the year in which the expenditure is incurred and advances to housing associations which are financed from capital receipts. Deferred charges incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of the deferred charges from existing capital resources or by borrowing, a transfer to the Capital Financing 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.

### **14. Leasing**

Rentals paid under leasing agreements have been accrued and accounted for through the revenue accounts in the period to which they relate. The cost of the leased assets and future commitments under lease are disclosed in the notes to the Core Financial Statements.

### **15. Repurchase of Borrowing**

Net premiums paid in 2004 on the early settlement of borrowing relating to the Council Housing are being written off over the life of the original loan. In order to comply with SORP disclosure requirements, the write off is not included in the HRA Income and Expenditure Account but is shown in the Statement of Movement on the HRA Balance as a statutory adjustment.

### **16. Investments**

All investments have been included in the balance sheet at cost.

### **17. Stocks and Long Term Contracts (Work in Progress)**

Stocks are included in the balance sheet at the lower of cost or net realisable value. Work-in-progress on uncompleted jobs is valued at cost including an allocation of overheads.

### **18. Contingent Liabilities and Post Balance Sheet Events**

Contingent liabilities are recognised in the accounting statements and disclosed by way of a note if there is a possible obligation, which may require a payment or transfer of economic benefits. Where a material post balance sheet event occurs which provides additional evidence to conditions existing at the balance sheet date changes would be made to the amounts to be included in the Statement of Accounts. Where the material occurrence concerns conditions which did not exist at the balance sheet date a disclosure will be made.

## Statement of Responsibilities for the Statement of Accounts

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### St Albans City and District Council's responsibilities

#### 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 Head of Finance
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets;
- to approve the statement of accounts.

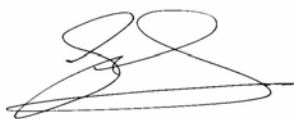
### The Head of Finance's responsibilities

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

In preparing this statement of accounts, the Head of Finance has:

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

The Head of Finance has signed and dated the statement of accounts, stating that it presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2007.



**S Burd**  
**Head of Finance**

**Date: 28<sup>th</sup> September 2007**

## Income and Expenditure Account

Previous Year Net Expenditure £'000		Gross Expenditure 2006/2007 £'000	Gross Income 2006/2007 £'000	Net Expenditure 2006/2007 £'000
	<b>Central Services to the public</b>			
(74)	Council Tax Benefit Payments	5,150	(5,191)	(41)
1,752	Other Central Services	3,415	(1,679)	1,736
	<b>Cultural, Environmental &amp; Planning Services</b>			
4,963	Culture and Related Services	5,642	(1,015)	4,627
6,085	Environmental Services	7,858	(1,740)	6,118
2,129	Planning and Development	4,112	(1,274)	2,838
444	<b>Highways, Roads &amp; Transport Services</b>	1,882	(686)	1,196
	<b>Housing Services</b>			
113	Housing Benefit Payments	17,987	(18,109)	(122)
1,976	Other Housing	2,917	(924)	1,993
975	Housing Revenue Account (HRA)	21,928	(21,080)	848
2,198	Corporate & Democratic Core	2,750	(185)	2,565
67	Non Distributed Costs	-	-	-
<b>20,628</b>	<b>Net Cost of Services</b>	<b>73,641</b>	<b>(51,883)</b>	<b>21,758</b>
192	Gain or loss on disposal of assets	188	-	188
1,712	Parish Council Precepts	1,829	-	1,829
(427)	Surplus/deficit from trading operations	2,222	(2,638)	(416)
38	Interest payable	22	-	22
1,208	Contribution of housing capital receipts to Government Pool	1,995	-	1,995
(1,635)	Interest and investment income	-	(1,723)	(1,723)
851	Pension Interest Costs and expected return on pension assets	4,542	(4,174)	368
<b>22,567</b>	<b>Net Operating Expenditure</b>	<b>84,439</b>	<b>(60,418)</b>	<b>24,021</b>
(10,909)	Demand on the Collection Fund			(11,334)
(84)	Transfer from Collection Fund – prior year surplus			(198)
(3,235)	Central Government Grants			(1,464)
(3,801)	Non-Domestic Rates redistribution			(6,074)
<b>4,538</b>	<b>Deficit for the year</b>			<b>4,951</b>

## Statement of Movement on the General Fund Balance

Previous Year £'000		Current Year £'000
4,538	Deficit for the year on the Income and Expenditure Account	4,951
(5,325)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(5,512)
<b>(787)</b>	<b>Increase in General Fund balance for the year</b>	<b>(561)</b>
(3,321)	General Fund balance brought forward	(4,108)
<b>(4,108)</b>	<b>General Fund Balance carried forward</b>	<b>(4,669)</b>

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

Previous Year £'000		Current Year £'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 for the year</b>	
(72)	Amortisation of intangible assets	(187)
(971)	Depreciation and impairment of assets	(1,169)
(993)	Transfer to MRR –excess of HRA depreciation over Major Repairs Allowance	(1,206)
597	Government Grants Deferred amortisation	920
(1,825)	Write downs of deferred charges to be financed from capital resources	(1,981)
(192)	Net loss on sale of fixed assets	(177)
(2,603)	Net charges made for retirement benefits in accordance with FRS 17	(2,520)
<b>(6,059)</b>	<b>Sub-total</b>	<b>(6,320)</b>
	<b>Amounts not included in the Income and Expenditure Account but required but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>	
(280)	Capital expenditure charged in-year to the General Fund Balance	745
(1,208)	Transfers from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(1,995)
2,204	Employer's contributions to the Local Government Pension Scheme and retirement benefits payable direct to pensioners	2,250
<b>716</b>	<b>Sub-total</b>	<b>1,000</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>	
(129)	Housing Revenue Account Balance	(457)
147	Net transfer to or from earmarked reserves/other statutory funds	265
<b>18</b>	<b>Sub-total</b>	<b>(192)</b>
<b>(5,325)</b>	<b>Net additional amount required to be credited to the General Fund balance</b>	<b>(5,512)</b>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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Previous Year £'000		Current Year £'000
4,538	Deficit for the year on the Income and Expenditure Account	4,951
67,305	(Surplus)/deficit arising on revaluation of fixed assets	(28,094)
(1,619)	Actuarial (gains)/losses on pension fund assets and liabilities	(5,187)
(1,735)	Other (gains)/losses:	63
<b>68,489</b>	<b>Total recognised (gain)/loss for the year</b>	<b>(28,267)</b>

## Balance Sheet as at 31 March 2007

31 March 2006		31 March 2007	
£'000		£'000	£'000
	<b>Fixed assets</b>	Note 11	
490	<b>Intangible fixed assets</b>		563
	<b>Operational assets</b>		
420,275	- Council Dwellings		438,656
36,095	- Multi Occupied Dwellings		37,845
41,684	- Other land and buildings		45,357
1,685	- Vehicles, plant and equipment		1,735
1,252	- Infrastructure Assets		1,465
719	- Community Assets		749
501,710			525,807
	<b>Non-Operational assets</b>		
12,260	- Investment properties		12,946
<b>514,460</b>	<b>Total fixed assets</b>		<b>539,316</b>
1	Long term investments		1
247	Long term debtors	Note 17	245
1,944	Deferred premiums on the early repayment of debt	Note 18	1,496
<b>516,652</b>	<b>Total long term assets</b>		<b>541,058</b>
	<b>Current assets</b>		
84	- Stocks	Note 19	75
5,994	- Debtors	Note 20	5,093
24,350	- Temporary investments	Note 21	26,200
1,138	- Cash and bank		4
<b>31,566</b>			<b>31,372</b>
	<b>Current liabilities</b>		
(14)	- Temporary Loans		(50)
(8,162)	- Creditors	Note 22	(9,016)
-	- Bank overdraft	Note 23	(133)
<b>(8,176)</b>			<b>(9,199)</b>
<b>540,042</b>	<b>Total assets less current liabilities</b>		<b>563,231</b>
	<b>Long-term liabilities</b>		
(2,587)	- Government grants deferred	Note 24	(2,472)
(70)	- Deferred discounts on the early repayment of debt	Note 18	(54)
(31,284)	- Liability related to defined benefit pension	Note 10	(26,337)
<b>506,101</b>	<b>Total assets less liabilities</b>		<b>534,368</b>

## Balance Sheet as at 31 March 2007 (continued)

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31 March 2006 £'000			31 March 2007 £'000
	<b>Financed by:</b>		
453,611	Fixed Asset Restatement Account	Note 25	476,359
55,633	Capital Financing Account	Note 26	56,800
14,910	Usable Capital Receipts Reserve	Note 27	13,775
247	Deferred Capital Receipts	Note 28	232
876	Capital Reserve	Note 29	600
(31,284)	Pensions Reserve	Note 10	(26,337)
4,108	General Fund Balance		4,669
1,565	Housing Revenue Account Balance		1,108
1,428	Collection Fund Balance		1,144
3,296	Major Repairs Reserve (see HRA note 9)		4,395
1,711	Earmarked Reserves	Note 30	1,623
<b>506,101</b>	<b>Total net worth</b>		<b>534,368</b>

## Cash Flow Statement for the year ended 31 March 2007

This statement has been drawn up to show where the council receives cash from and what this cash has been spent on.

Previous Year £'000	See notes 37 to 40	2006/2007 £'000
<b>Revenue Activities</b>		
Cash Outflows		
(13,785)	Cash paid to and on behalf of employees	(14,431)
(7,599)	Negative Housing Subsidy	(7,019)
(30,998)	Other operating costs	(27,569)
(8,098)	Housing Benefit paid out	(8,862)
<b>(60,480)</b>		<b>(57,881)</b>
(62,611)	Precept payments	(68,879)
(44,529)	Non-Domestic Rates paid to National Pool	(49,449)
(1,205)	Payments to the Capital receipts Pool	(1,342)
<b>(168,825)</b>	<b>Total Payments</b>	<b>(177,551)</b>
Cash Inflows		
10,541	Rents ( <i>after rebates</i> )	10,990
70,224	Local Tax Income	74,096
48,350	Non-Domestic Rates receipts	51,667
3,801	Non-Domestic Rates received from National Pool	6,074
26,628	Government Grants	26,793
9,131	Other operating cash receipts	10,283
<b>168,675</b>	<b>Total Receipts</b>	<b>179,903</b>
<b>(150)</b>	<b>Net Cash (Outflow)/Inflow from Revenue activities</b>	<b>2,352</b>
<b>Returns on Investments and Servicing of Finance</b>		
1,740	Interest received	1,626
<b>1,740</b>	<b>Cash Inflow from returns on Investments and Servicing of Finance</b>	<b>1,626</b>
<b>Capital Activities</b>		
Cash Outflows		
(8,074)	Purchase of Fixed Assets/Enhancements	(8,635)
(1,299)	Capital Grants & Advances	(925)
<b>(9,373)</b>	<b>Total Capital Payments</b>	<b>(9,560)</b>
Cash Inflows		
3,513	Sale of Fixed Assets	5,465
1,290	Capital Grants Received	483
977	Other Capital Cash Income	217
<b>5,780</b>	<b>Total Capital Receipts</b>	<b>6,165</b>
<b>(3,593)</b>	<b>Net Cash outflow from Capital Activities</b>	<b>(3,395)</b>
<b>Management of Liquid Resources</b>		
<b>3,450</b>	<b>Decrease/(Increase) in short term investments</b>	<b>(1,850)</b>
<b>1,447</b>	<b>Increase/(decrease) in Cash</b>	<b>(1,267)</b>

## Notes to the Core Financial Statements

### 1. Restatement of Prior Year Comparatives

In the 2006/07 Statement of Accounts, the council has adopted three significant new accounting policies that impact on the comparative figures for 2005/06. The table shows how the figures in 2005/06 Consolidated Revenue Account (CRA) have been impacted and shows the restated comparatives in the 2006/07 Income & Expenditure Account.

- Column A Capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts
- Column B Credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item
- Column C Gains and losses on the disposal of fixed assets are recognised in the I&E Account.

changes listed below have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts Only figures that have changed are included in the table.

'Other' relates to adjustments made on the consolidation of the Housing Revenue Account and additional disclosure detail on interest received and paid.

	CRA in 2005/06 £'000	A Capital £'000	B Govn Grants £'000	C Assets £'000	Other £'000	2005/06 comparatives in I&E £'000
<b>Central Services to the public</b>						
Council Tax Benefit Payments	-74	0	0			-74
Other Central Services	1,866	-47	-67			1,752
<b>Cultural, Environmental &amp; Planning Services</b>						
Culture & Related Services	6,039	-984	-92			4,963
Environmental Services	6,312	-97	-130			6,085
Planning & Development	2,262	-52	-81			2,129
<b>Highways, Roads &amp; Transport Services</b>	670	-212	-14			444
<b>Housing Services</b>						
Housing Benefit Payments	113	0	0			113
Other Housing	2,127	-72	-79			1,976
Housing Revenue Account (HRA)	129				414	543
Housing Revenue Account pension adjustment	-96				96	-
<b>Corporate &amp; Democratic Core</b>	2,414	-94	-122			2,198
<b>Impact on Net Cost of Services</b>		<b>-1,558</b>	<b>-585</b>	<b>0</b>	<b>510</b>	
<b>Loss on disposal of fixed assets</b>	-	-	-	<b>192</b>	-	<b>192</b>
<b>Surplus/deficit from trading operations</b>	<b>(145)</b>	<b>(270)</b>	<b>(12)</b>			<b>(427)</b>
<b>Interest payable</b>					<b>38</b>	<b>38</b>
<b>Interest and investment income</b>	<b>(1,586)</b>				<b>(49)</b>	<b>(1,635)</b>
<b>Asset Management Revenue Account</b>	<b>(2,425)</b>	<b>1,828</b>	<b>597</b>			-
<b>Impact on Net Operating Expenditure</b>		<b>-</b>	<b>-</b>	<b>192</b>	<b>499</b>	

## Notes to the Core Financial Statements (continued)

### 2. Trading Undertakings

#### a) Market

The Council operates a street market in St Albans City Centre on Wednesdays and Saturdays.

Financial results were:

	2006/2007	2005/2006
	£'000	£'000
Income from charges to stall-holders	(629)	(624)
Expenditure	516	503
<b>Surplus to General Fund</b>	<b>(113)</b>	<b>(121)</b>

#### b) Corporate Property

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

Financial results were:

	2006/2007	2005/2006
	£'000	£'000
Rent income	(878)	(771)
Expenditure	575	465
<b>(Surplus) to General Fund</b>	<b>(303)</b>	<b>(306)</b>

#### c) Decriminalised Parking Enforcement

Decriminalisation 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:

	2006/2007	2005/2006
	£'000	£'000
Income from charges to users	(1,132)	(779)
Expenditure	1,088	750
<b>Surplus for year</b>	<b>(44)</b>	<b>(29)</b>
Transferred to Reserves	44	29
<b>Net Cost to General Fund</b>	<b>-</b>	<b>-</b>

### 3. Section 137 Expenditure (Local Government Act 1972)

Section 137 of the Local Government Act 1972 as amended by the Local Government Act 2000 enables an authority to make expenditure, in its area, on activities or projects not specifically authorised by other powers. Expenditure under this section amounted to £63,303 (£76,331 in 2005/2006) and was mainly used to provide grant aid to voluntary bodies providing services to the local community.

## Notes to the Core Financial Statements (continued)

### 4. Expenditure on Publicity

Section 5 of the Local Government Act 1986 requires a local authority to keep a separate account of its expenditure on publicity. The Council's spending on publicity was:

	2006/2007	2005/2006
	£'000	£'000
Recruitment advertising	159	135
Other advertising	45	59
Other publicity	81	181
<b>Total</b>	<b>285</b>	<b>375</b>

### 5. Building Regulations Charging Account

The Building Act 1984 and the Local Authority Building Control Charges Regulations (SI.1998/3129) require local authorities to keep records of the nature, turnover and profit or loss on the Building Control Charging Account.

The regulations require local authorities to approve a scheme to set charges for work controlled under Building Regulations. The Local Government Association has produced a model scheme and advisory charges relating to this legislation, which has been adopted by the Council. The net cost for 2006/2007 was as follows:

	2006/2007	2006/2007	2006/2007	2005/2006
	Chargeable	Non- Chargeable	Net Total	Net Total
	£'000	£'000	£'000	£'000
Income	(619)	-	<b>(619)</b>	(596)
Expenditure	592	84	<b>676</b>	614
<b>(Surplus)/Deficit for Year</b>	<b>(27)</b>	<b>84</b>	<b>57</b>	<b>18</b>

### 6. Members' Allowances

The amount of allowances paid to Councillors for 2006/07 was £414,340 (£393,014 in 2005/2006). Full details can be found at Appendix 1.

### 7. Employees' Remuneration in excess of £50,000

Under the Accounts and Audit Regulations 2003 Local Authorities are required to include the number of employees in the accounting period whose remuneration was in excess of £50,000. The remuneration is to be displayed in each bracket of a scale in multiples of £10,000. For this purpose remuneration means all amounts paid to or receivable by an employee and includes sums due by way of taxable expenses and the estimated monetary value of any other benefits. Remuneration excludes employers' pension contributions but is prior to deduction of employee contributions. The later constitutes a change compared with 2005/2006 and therefore the prior year figures have been restated on the same basis as 2006/2007 for comparison.

## Notes to the Core Financial Statements (continued)

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### 7. Employees' Remuneration in excess of £50,000 (continued)

Remuneration	No of Employees	
	2006/07	2005/06
£50,000 +	8	5
£60,000 +	1	2
£70,000 +	4	3
£80,000 +	-	1
£90,000 +	1	-
£100,000 +	1	-
<b>Total</b>	<b>15</b>	<b>11</b>

### 8. 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 below.

Members of the Council have direct control over the Council's financial and operating policies. During 2006/07, 8 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. Most of these are in relation to grants to voluntary bodies.

During 2006/07 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

### 9. External Audit Fees

	2006/07 £'000	2005/06 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	128	116
Fees payable to the Audit Commission for the certification of grant claims and returns	49	64
Fees payable to the Audit Commission in respect of statutory inspection	7	11
Fees payable in respect of other services provided by the appointed auditor	-	5
	<b>184</b>	<b>196</b>

## Notes to the Core Financial Statements (continued)

### 10. Pension Costs

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

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

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 to the County Fund in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement on the General Fund Balance during the year.

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have taken the view that 25% of members retiring will take tax-free cash up to the HM Revenues and Customs limit and this is reflected in the valuation of the Council's retirement benefit liabilities as at 31 March 2007.

<b>Income and Expenditure Account</b>	<b>2006/07 £'000</b>	<b>2005/06 £'000</b>
Net Cost of Services:		
• Current service cost	2,152	1,685
• Past service costs	-	67
Net Operating Expenditure:		
• Interest cost	4,542	4,293
• Expected return on assets in the scheme	(4,174)	(3,442)
<b>Net Charge to the Income and Expenditure Account</b>	<b>2,520</b>	<b>2,603</b>

<b>Statement of Movement on the General Fund Balance</b>	<b>2006/07 £'000</b>	<b>2005/06 £'000</b>
Net pensions liability at 1 April	(31,284)	(32,515)
Movements in the year:		
Current Service cost	(2,152)	(1,685)
Employer Contributions	2,269	2,215
Past Service cost	11	(67)
Net return on assets	(368)	(851)
Actuarial gains/(losses)	5,187	1,619
<b>Net pensions liability at 31 March</b>	<b>(26,337)</b>	<b>(31,284)</b>

## Notes to the Core Financial Statements (continued)

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### 10. Pension Costs (continued)

#### Assets and Liabilities in Relation to Retirement Benefits

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

	2006/2007 £'000	2005/2006 £'000
Estimated liabilities in scheme	(92,063)	(92,941)
Estimated assets in scheme	65,726	61,657
<b>Net liability</b>	<b>(26,337)</b>	<b>(31,284)</b>

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

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £26.3m 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 as 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 extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities has been considered by the actuaries at their latest full actuarial review of the Pension Fund which was carried out as at 31 March 2004. Their advice on whether or not there is any anticipated shortfall in the funding of the scheme will determine the future level of pension contributions. The next formal valuation is due as at 31 March 2007.

#### Basis for Estimating Assets and Liabilities

The Hertfordshire County Council Pension Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. Estimates on the pension fund are based on the latest full valuation of the scheme as at 31 March 2004. The main assumptions used in their calculations are:

	2006/2007 %	2005/2006 %
Rate of inflation	3.2	3.1
Rate of increase in salaries	4.7	4.6
Rate of increase in pensions	3.2	3.1
Rate for discounting scheme liabilities	5.4	4.9
Take-up option to convert annual pension into retirement grant	25.0	-

## Notes to the Core Financial Statements (continued)

### 10. Pension Costs (continued)

Assets in the County Council Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the fund:

	Long Term Return	31 March 2007	31 March 2006
	%	%	%
Equity investments	7.8	76.3	76.2
Bonds	4.9	11.4	12.9
Property	5.8	5.9	5.6
Cash	4.9	6.4	5.3
		<b>100.0</b>	<b>100.0</b>

### Actuarial Gains and Losses

The actuarial gains and losses identified as movements on the Pension Reserve in 2006/07 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities as at 31 March 2007.

	2006/07		2005/06		2004/05		2003/04		2002/03	
	£'000	%	£'000	%	£ '000	%	£'000	%	£'000	%
Differences between the expected and actual return on assets	281	0.4	9,180	14.9	1,465	3.0	5,223	11.3	(11,673)	(30.3)
Differences between actuarial assumptions about liabilities and actual experience	1	-	2,118	2.3	(3,961)	(4.9)	(23)	-	(1,960)	(3.2)
Changes in the demographic and financial assumptions used to estimate liabilities	4,905	5.3	(9,679)	(10.4)	(12,686)	(15.6)	-	-	-	-
<b>Actuarial gains/(losses)</b>	<b>5,187</b>		<b>1,619</b>		<b>(15,182)</b>		<b>5,200</b>		<b>(13,633)</b>	

Further information can be found in Hertfordshire County Council Superannuation Fund's Annual Report, which is available upon request from:  
The Director of Corporate Services, Hertfordshire County Council, County Hall,  
Hertford SG13 8DQ (Contact: Nicola Webb 01992555394)

## Notes to the Core Financial Statements (continued)

### 11. Fixed Assets

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. All assets were revalued as at 1 April 1994 in accordance with the code. Approximately 20% of General Fund assets are revalued each year. The net value of adjustments is reflected in the Fixed Asset Restatement Account.

Movements in fixed assets during the year were as follows:

	<b>Council Dwellings</b>	<b>Multi-occupied Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles and Plant</b>	<b>Infra-structure</b>	<b>Comm-unity Assets</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Certified Valuation 31/03/06</b>	424,520	36,493	43,459	2,528	1,378	785
Accumulated depreciation and impairments	(4,245)	(398)	(1,740)	(843)	(126)	(66)
<b>Net Book Value of Assets 31/03/06</b>	<b>420,275</b>	<b>36,095</b>	<b>41,684</b>	<b>1,685</b>	<b>1,252</b>	<b>719</b>

#### Movements in 2006/2007

Additions	5,758	-	1,343	555	311	107
Disposals	(3,738)	-	(761)	-	-	-
Transfers	18	-	(150)	-	-	-
Revaluations	20,774	2,167	3,766	(37)	-	-
Depreciation	(4,431)	(417)	(525)	(468)	(98)	(77)

<b>Net Book Value of Assets 31/03/07</b>	<b>438,656</b>	<b>37,845</b>	<b>45,357</b>	<b>1,735</b>	<b>1,465</b>	<b>749</b>
------------------------------------------	----------------	---------------	---------------	--------------	--------------	------------

	<b>Total Operational Assets</b>	<b>Intangible Assets</b>	<b>Investment Properties</b>	<b>Total Fixed Assets</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Certified Valuation 31/03/06</b>				
Accumulated Depreciation	509,163	562	12,260	521,985
Impairments	(7,418)	(72)	-	(7,490)
	(35)	-	-	(35)
<b>Net Book Value of Assets 31/03/06</b>	<b>501,710</b>	<b>490</b>	<b>12,260</b>	<b>514,460</b>

#### Movements in 2006/2007

Additions	8,074	260	23	8,357
Disposals	(4,499)	-	(847)	(5,346)
Transfers	(132)	-	132	-
Revaluations	26,670	-	1,378	28,048
Depreciation	(6,016)	(187)	-	(6,203)

<b>Net Book Value of Assets 31/03/07</b>	<b>525,807</b>	<b>563</b>	<b>12,946</b>	<b>539,316</b>
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## Notes to the Core Financial Statements (continued)

### 11. Fixed Assets (continued)

Assets are depreciated in accordance with the Statement of Accounting Policies in note 11 page 12. 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	60
Vehicles, plant & 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.

Some equipment was impaired at the time of disposal and the value of two car parks has been reduced to reflect their current state of disrepair. The total amount impaired during the year is £44,000.

### 12. Capital Expenditure and Sources of Finance

The following table shows how the total of capital expenditure and deferred charges has been matched by sources of finance.

	2006/2007 £'000	2005/2006 £'000
<b>Opening Capital Financing Requirement</b>	<b>2,629</b>	<b>(87)</b>
<b>Capital investment</b>		
Operational assets	8,074	7,402
Non-operational assets	23	71
Intangible assets	260	346
Deferred Charges	1,981	1,825
	<b>10,338</b>	<b>9,644</b>
<b>Sources of Finance</b>		
Capital Receipts	4,428	2,247
Government Grants	516	1,079
Third Party Contributions	258	78
Lottery Grant	32	68
Major Repairs Reserve	2,647	2,552
Revenue contribution to capital	425	-
Capital Reserve	853	815
	<b>9,159</b>	<b>6,839</b>
Minimum Revenue Provision	<b>(123)</b>	<b>(89)</b>
<b>Closing Capital Financing Requirement</b>	<b>3,685</b>	<b>2,629</b>

## Notes to the Core Financial Statements (continued)

### 12. Capital Expenditure and Sources of Finance (continued)

Explanation of movements in year	2006/2007 £'000	2005/2006 £'000
Increase in underlying need to borrow (supported by Government financial assistance)	918	1,803
Minimum Revenue Provision	(123)	(89)
Increase in underlying need to borrow (unsupported by Government financial assistance) – met by credit balance in capital financing reserve	261	1,002
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>1,056</b>	<b>2,716</b>

The Council is committed to capital expenditure of £4.57m in 2007/2008 due to capital schemes remaining incomplete at 31 March 2007.

#### Assets Held by the Authority

The Council's main fixed assets are:

	31 March 2007 Nos.	31 March 2006 Nos.
Entertainment and 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 and Heritage	3	3
Parks and Open Spaces	87	87
Market	1	1
Cemeteries	3	3
Commercial property available for rent	63 units	64 units
Public Conveniences	19	19

### 13. i) Leases

The authority uses various office equipment financed using operating leases and the amount paid under these arrangements in 2006/07 was £87,000 (2005/06 £106,000). The authority was committed at 31 March 2007 to making payments of £54,000 under operating leases in 2007/2008 comprising the following elements:

	<b>Vehicles, Plant and Equipment £'000</b>
Leases expiring within one year	15
Leases expiring between the second to fifth years	39
Leases expiring after the fifth year	0
	<b>54</b>

#### ii) Car Leasing

Under the terms of the car leasing scheme operated for the benefit of its employees, the Council made rental payments of £356,954 (£352,276 in 2005/2006) of which £45,415 (£42,569 in 2005/2006) was recovered from employees.

## Notes to the Core Financial Statements (continued)

### 14. Asset Valuations

Asset valuations have been carried out by surveyors employed by St Albans City and District Council as follows:

Andrew Wearmouth FRICS (Valuer & Estate Surveyor), Paul Teesdale FRICS (Assistant Valuer), Lyn Henny MRICS (Assistant Estates Surveyor), Deborah White MRICS (Assistant Estates Surveyor) and Marcella Kelly MRICS (Assistant Valuer).

The Council also employed the following company for a specialist valuation:

D.N.Mills MRICS from Atisreal, Norfolk House, 31 St James Square, London, SW1Y 4RJ.

All assets are valued on a five-year rolling programme and are valued at 1 April each year of assessment. The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets (at gross value at 31 March 2007).

The value of housing dwellings has been increased after a review in line with resource accounting guidelines.

	Council Dwellings £'000	Multi-Occupied Dwellings £'000	Other Land & Buildings £'000	Vehicles & Plant £'000	Infra Structure £'000	Community & Intangible Assets £'000	Investment Property £'000	Total £'000
<b>Valued at historical cost</b>					1,465	749		2,214
<b>Valued at current cost as at:</b>								
01 Apr 06	438,656	37,845	10,951	555	-	-	2,283	490,290
01 Apr 05	-	-	6,530	432	-	-	2,619	9,581
01 Apr 04	-	-	10,728	379	-	-	1,816	12,923
01 Apr 03	-	-	3,401	195	-	-	2,544	6,140
01 Apr 02	-	-	13,747	118	-	-	3,684	17,549
prior to 01 Apr 02	-	-	-	56	-	-	-	56
	<b>438,656</b>	<b>37,845</b>	<b>45,357</b>	<b>1,735</b>	<b>1,465</b>	<b>749</b>	<b>12,946</b>	<b>538,753</b>

### 15. Deferred Charges

This is capital spending that does not create a fixed asset. It includes expenditure for grants to housing associations, loans and grants for private house improvements, computer expenses, housing cash incentive scheme and other contributions. It has been fully written down to reflect grants received and capital receipts used.

	2006/2007 £'000	2005/2006 £'000
Balance at 1 April	-	-
Grants to Housing Associations	759	580
Home Renovation and Improvement Grants	739	765
Housing Cash Incentive Scheme	75	104
Computer Expenses	-	315
Other	408	61
Less funded by grants, capital receipts and provision for credit liabilities	(1,981)	(1,825)
<b>Balance at 31 March</b>	<b>-</b>	<b>-</b>

## Notes to the Core Financial Statements (continued)

### 16. Long Term Investments

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

### 17. Long Term Debtors

	At 31 March 2007 £'000	At 31 March 2006 £'000
Advances to external borrowers – General Fund	23	25
Mortgages – Housing Revenue Account	50	58
Economic Development Loan	172	164
Internal Debt – General Fund	6,951	4,353
Less Internal Debt – Housing Revenue Account	(6,951)	(4,353)
<b>Total</b>	<b>245</b>	<b>247</b>

The internal debt of £6.951m is an internal loan from the General Fund (GF) to the Housing Revenue Account (HRA). This resulted from the GF repaying long-term loan debt on behalf of the HRA.

### 18. Deferred premiums

This is the balance remaining on the premium paid on the repayment of the PWLB loan in 2001/02. The balance of the original premium of £3.610m is being written off over 10 years, of which £1,442,000 net remains to be written off over the next 5 years. The net amount is split between £1,496,000 in long term assets and £54,000 discount in long-term liabilities.

### 19. Stocks

Stocks held at 31 March 2007 of £75,445 (31 March 2006 - £83,614) consisted mainly of goods for resale at the Museums and at the Town Hall Tourist Information Centre.

### 20. Debtors

	At 31 March 2007 £'000	At 31 March 2006 £'000
Amounts falling due within the next year:		
Government departments	1,155	2,336
Other local authorities	-	19
Advance payments/bookings	128	248
Council Tax/National Non-Domestic Rates costs	236	220
Council Tax arrears	2,571	2,314
Non Domestic Ratepayers arrears	607	529
Mortgages (payable within one year)	9	16
Housing Rents	601	547
Sundry Debtors	1,320	1,112
	<b>6,627</b>	<b>7,341</b>
Provision for doubtful debts	(1,760)	(1,607)
	<b>4,867</b>	<b>5,734</b>
Amounts falling due after one year:-		
Employees' car loans/leasing	226	260
<b>Total</b>	<b>5,093</b>	<b>5,994</b>

## Notes to the Core Financial Statements (continued)

### 21. Temporary Investments

These are short-term investments of surplus cash. At 31 March 2007 these consisted of short-term investments with banks and building societies in line with the Council's Treasury Management Policy.

There were no changes to the Council's Treasury Management Policy during 2006/07.

### 22. Creditors

	At 31 March 2007 £'000	At 31 March 2006 £'000
Capital	234	268
Government departments	991	207
Other local authorities	38	36
Housing Rents	201	173
Housing Property Deposits	29	23
Other deposits	3	3
Pre-paid NNDR	1,255	1,471
Pre-paid Council Tax	1,737	1,788
Sundry Creditors	4,528	4,193
<b>TOTAL</b>	<b>9,016</b>	<b>8,162</b>

### 23. Bank Overdraft

The overall bank balance incorporating the General Fund, Housing and Collection Fund balances was £132,758 overdrawn (2005/2006 - £1,134,553 in credit) after taking account of un-presented cheques. There are several small cash floats amounting to £3,530.

### 24. Grants and Contributions Deferred

	2006/2007 £'000	2005/2006 £'000
Balance at 1 April	2,587	2,165
Grants applied to Capital Expenditure	289	146
Contribution applied to Capital Expenditure	516	873
Amounts amortised to General Fund	(920)	(597)
<b>Balance at 31 March</b>	<b>2,472</b>	<b>2,587</b>

The SORP requires that where capital expenditure has been financed by a grant or contribution it is amortised to the I&E account in line with the depreciation policy. Following the introduction of the I&E this year, the balance on the account is now shown as a long-term liability in the top half of the balance sheet (compared to part of Financing in previous years).

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 (continued)

### 25. Fixed Asset Restatement Account

This Account was set up in accordance with the provisions of the Code of Practice on Local Authority Accounting. The purpose of the Account is to reflect adjustments to the values of capital assets as a result of revaluations and other relevant changes. The Account cannot be used to support new expenditure. Movements on the Account were as follows:

	2006/2007	2005/2006
	£'000	£'000
Balance at 1 April	453,611	524,303
Surplus/(Deficit) arising on Revaluation	28,092	(73,879)
Write back of depreciation on revalued assets	-	5,551
Write back depreciation on changes of asset category	2	26
Disposal of Fixed Assets	(5,346)	(2,390)
<b>Balance at 31 March</b>	<b>476,359</b>	<b>453,611</b>

### 26. Capital Financing Account

This Account was set up in accordance with the provisions of the Code of Practice on Local Authority Accounting. The Capital Financing Account provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system.

The movements on the Capital Financing Reserve in this year are shown below:

	2006/2007	2005/2006
	£'000	£'000
Balance at 1 April	55,633	56,681
Capital financing		
- capital receipts	4,428	2,247
- major repairs reserve	2,647	2,552
- Capital reserve	853	815
- revenue contribution to capital	425	-
- third party contributions	289	25
- other Government grants	584	728
- Lottery grants	47	51
Amortisation of intangible assets	(187)	(72)
Depreciation and impairment - land & buildings	(6,061)	(5,658)
Voluntary MRP Adjustment	123	89
Deferred Charges	(1,981)	(1,825)
<b>Balance at 31 March</b>	<b>56,800</b>	<b>55,633</b>

## Notes to the Core Financial Statements (continued)

### 27. Usable 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.

	2006/2007 £'000	2005/2006 £'000
Balance at 1 April	14,910	14,911
Receipts	5,465	3,646
	<b>20,375</b>	<b>18,557</b>
Financing of Capital Expenditure	(4,428)	(2,247)
"Right to Buy" expenses	(177)	(192)
Payment to National Pool	(1,995)	(1,208)
<b>Balance at 31 March</b>	<b>13,775</b>	<b>14,910</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 2006/07 the Authority has paid 56.25% of its capital receipts from the disposal of housing assets to the National Pool.

### 28. 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.

### 29. Capital Reserve

This Reserve reflects the application of monies from the General Fund Revenue Account and their use to finance capital expenditure:

	2006/2007 £'000	2005/2006 £'000
Balance at 1 April	876	1,931
Transfer (to)/from General Fund	320	(280)
Transfer from special projects reserve	11	-
Transfer from Controlled Parking Reserve	246	40
Capital Funding	(853)	(815)
<b>Balance at 31 March</b>	<b>600</b>	<b>876</b>

## Notes to the Core Financial Statements (continued)

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### 30 Earmarked Reserves

This balance represents various contributions set aside for sundry specific purposes and totals £1.6m. These reserves are as follows:

	2006/2007 £'000	2005/2006 £'000
Leisure service development	90	-
Museums Reserves – various	24	18
Amenity Area Maintenance Fund	188	163
S52 Town and Country Planning Act	127	121
Trading Accounts	28	306
Third Party Contributions	895	833
Other Reserves	53	52
Westminster Lodge Capital Reserve	218	218
<b>Total</b>	<b>1,623</b>	<b>1,711</b>

### 31. Contingent Liabilities

Helioslough have appealed against the Council's decision to refuse planning permission for a railfreight terminal. The cost of defending the appeal could cost the council up to £1 million.

### 32. Post Balance Sheet Events

Material events that arise after the balance sheet date and which did not exist at the time must be declared to ensure a fair presentation of the financial statements. The Council has no post balance sheet events.

### 33. Analysis of Net Assets Employed

	Year to 31 March 2007 £m	Year to 31 March 2006 £m
General Fund	77	74
Housing Revenue Account	483	463
Pension Fund	(26)	(31)
<b>Total</b>	<b>534</b>	<b>506</b>

## Notes to the Core Financial Statements (continued)

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### 34. Clarence Park Charity Accounts

The consolidated accounts include transactions for Clarence Park, part of which is designated as a charity (Charity Commission Ref. No. 1047751). The Council continues to operate and fund the recreation fund as part of the overall facilities it provides to the district.

<b>Statement of Financial Activities</b>	<b>2006/07</b>	<b>2005/06</b>
	<b>£</b>	<b>£</b>
<b>Incoming Resources</b>		
Voluntary Income	89,168	80,582
<b>Total Incoming Resources</b>	<b>89,168</b>	<b>80,582</b>
<b>Resources Expended</b>		
Cost of generating voluntary income	107,774	99,188
<b>Total Resources Expended</b>	<b>107,774</b>	<b>99,188</b>
<b>Net Movement in funds</b>	<b>(18,606)</b>	<b>(18,606)</b>

#### Balance Sheet

<b>Fixed Assets</b>		
Tangible Assets	304,356	322,962
<b>Total Fixed Assets</b>	<b>304,356</b>	<b>322,962</b>
<b>Funds of the Charity</b>		
Unrestricted Funds	304,356	322,962
<b>Total Funds</b>	<b>304,356</b>	<b>322,962</b>

## Notes to the Core Financial Statements (continued)

### 35. Summary Introduction to detail of Movements 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 1 April 2006 £'000	Net Movement in Year £'000	Balance 31 March 2007 £'000	Purpose of Reserve	Further Detail of Movements
Fixed Asset Restatement Account	453,611	22,748	476,359	Store of gains on revaluation of fixed assets	Note 25 to the Core Financial Statements
Capital Financing Account	55,633	1,167	56,800	Store of capital resources set aside to meet future capital investment	Note 26 to the Core Financial Statements
Usable Capital receipts	14,910	-1,135	13,775	Proceeds of fixed asset sales available to meet future capital investment	Note 27 to the Core Financial Statements
Deferred Capital receipts	247	-15	232	Funding of advances to external borrowers	Note 28 to the Core Financial Statements
Capital reserve	876	-276	600	Financing capital expenditure	Note 29 to the Core Financial Statements
Pensions Reserve	(31,284)	4,947	(26,337)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 10 to the Core Financial Statements
General Fund	4,108	561	4,669	Resources available to meet future running costs for non- housing services	Statement of Movement on the General Fund Balance
Housing Revenue Account	1,565	(457)	1,108	Resources available to meet future running costs for council houses	HRA Statements
Collection Fund	1,428	(284)	1,144	Unallocated Council Tax receipts	Collection Fund
Major Repairs reserve	3,296	1,099	4,395	Resources available to meet capital investment in council housing	HRA Statements note 9
Earmarked Reserves	1,711	(88)	1,623	Resources available to meet specific spending plans	Note 30 to the Core Financial Statements
<b>Total</b>	<b>506,101</b>	<b>28,267</b>	<b>534,368</b>		

## Notes to the Core Financial Statements (continued)

### 36. Appropriation Account – Depreciation

Within the Statement of Accounting Policies on page 12 there is a note regarding depreciation. In accordance with FRS 15, all of the Council's assets must be depreciated. Overall the effect of charging depreciation is neutral as the revenue costs are charged within the net cost of service and a corresponding credit is shown in the Statement of Movement in the General Fund Balance. The financing entries are recorded later in this statement within the Balance Sheet Capital Accounts.

37. Reconciliation of revenue balance to net cash flow from revenue activities	2006/2007 £'000	2005/2006 £'000
Deficit per Income & Expenditure Account	(4,951)	(4,538)
Interest	(1,626)	(1,740)
<b>Non-Cash Transactions:</b>		
Depreciation and amortisation of assets	6,249	5,730
Write down of deferred charges	1,981	1,825
Contributions to/from Provisions	(2)	329
Contributions to/from Reserves	142	53
Contributions to/from Capital	(315)	280
<b>Items on an accruals basis:</b>		
Decrease/(Increase) in Stock	9	(24)
Decrease/(Increase) in Debtors	1,351	(1,606)
(Decrease)/Increase in Creditors	(486)	(459)
<b>Net Cash (Outflow)/Inflow from Revenue Activities</b>	<b>2,352</b>	<b>(150)</b>

38. Reconciliation of net cash flow to movement in net investment	2006/2007 £'000	2005/2006 £'000
Increase/(decrease) in cash in the period	(1,267)	1,447
Increase/(decrease) in liquid resources	1,850	(3,450)
<b>Change in net investment</b>	<b>583</b>	<b>(2,003)</b>
Net investment at 1 April 2006	25,488	27,491
<b>Net Investment at 31 March 2007</b>	<b>26,071</b>	<b>25,488</b>

### 39. Analysis of Changes in Net Investment

	As at 1 April 2006 £'000	Cash Flows £'000	As at 31 March 2007 £'000
Cash in hand and at bank	1,138	(1,134)	4
Overdrafts	-	(133)	(133)
Increase/(decrease) in cash	<b>1,138</b>	<b>(1,267)</b>	<b>(129)</b>
Current asset temporary investments	24,350	1,850	26,200
	<b>25,488</b>	<b>583</b>	<b>26,071</b>

## Notes to the Core Financial Statements (continued)

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

	2006/2007 £'000	2005/2006 £'000
Revenue Support Grant	1,172	2,741
Planning Delivery Grant	601	614
Crime and Disorder Grants	99	171
Revenue Recycling Grant	60	20
DWP Grants for Benefits:		
Rent Allowances	18,263	16,645
Local Taxation	5,253	4,804
Administration	653	666
<b>DWP sub-total</b>	<b>24,169</b>	<b>22,115</b>
Homelessness Grant	45	-
Supporting People	355	34
Defective Housing Grant	-	439
<b>Total Government Grants</b>	<b>26,501</b>	<b>26,134</b>

### 41. 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 twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital expenditure is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of the housing capital receipts to the Government pool is a charge to the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to the pension fund 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 Statement of Movement on the General fund Balance is a reconciliation that summarises the differences between the surplus or deficit on the Income and Expenditure Account and the General fund balance.

## Housing Revenue Account 2006-2007

2005/2006 £'000		2006/2007 £'000
	<b>Income</b>	
(18,364)	Dwelling rents	(19,291)
(744)	Other rents - Garages	(748)
(236)	- Shops and Other	(288)
(162)	Charges for Services and Facilities	(166)
(26)	Contributions toward Expenditure	(44)
-	Amortisation of deferred government grants	(209)
(439)	Other Government Grants	(334)
<b>(19,971)</b>	<b>Total Income</b>	<b>(21,080)</b>
	<b>Expenditure</b>	
5,133	Supervision and Management	5,604
3,688	Repairs and Maintenance	3,738
85	Rents, Rates, Taxes and other charges	92
6,730	Negative HRA subsidy payable	7,019
4,687	Depreciation and impairment of fixed assets	4,893
432	Amortisation of premiums and discounts	432
104	Amortisation of deferred charges	75
8	Debt Management Costs	8
79	Increased Provision for Bad Debts	67
<b>20,946</b>	<b>Total Expenditure</b>	<b>21,928</b>
<b>975</b>	<b>Net Cost of HRA Services</b>	<b>848</b>
192	(Gain) or loss on sale of HRA fixed assets	177
249	Interest payable and similar charges	332
(104)	Amortisation of deferred charges	(75)
(94)	Interest and investment income	(92)
141	Pension interest cost and expected return on pensions assets	65
<b>1,359</b>	<b>(Surplus) or deficit for the year on HRA services</b>	<b>1,255</b>

## Statement of Movement on the HRA Balance

2005/2006 £'000		2006/2007 £'000
1,359	(Surplus) or deficit for the year on the HRA Income and Expenditure Account	1,255
(1,230)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(798)
<b>129</b>	<b>(Increase) or decrease in the HRA Balance</b>	<b>457</b>
(1,694)	HRA surplus brought forward	(1,565)
<b>(1,565)</b>	<b>HRA surplus carried forward</b>	<b>(1,108)</b>

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

2005/2006		2006/2007	
£'000		£'000	£'000
	<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year</b>		
(192)	Gain or loss on sale of HRA fixed assets	(177)	
-	Deferred Grants and contributions	209	
(433)	Net charges made for retirement benefits in accordance with FRS 17	(446)	
<b>(625)</b>	<b>Sub-total</b>		<b>(414)</b>
	<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>		
(993)	Transfer to/(from) Major Repairs Reserve	(1,206)	
388	Employer's contributions payable to the Local Government Pension Scheme and retirement benefits payable direct to pensioners	397	
-	Capital expenditure funded by the HRA	425	
<b>(605)</b>	<b>Sub-total</b>		<b>(384)</b>
<b>(1,230)</b>	<b>Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year</b>		<b>(798)</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 2007 0.81% (2006 – 0.97%) of lettable properties were vacant. The Council was responsible for managing 5,330 dwellings as at 31 March 2007 as follows:

	<b>31 March</b>	
	<b>2007</b>	<b>2006</b>
	No's	No's
One Bedroom Dwellings:		
- Houses & Bungalows	<b>323</b>	323
- Flats	<b>1,365</b>	1,372
Two Bedroom Dwellings:		
- Houses & Bungalows	<b>548</b>	553
- Flats	<b>895</b>	899
Three Bedroom Dwellings:		
- Houses & Bungalows	<b>1,985</b>	1,994
- Flats	<b>28</b>	28
Four or more Bedroom Dwellings:		
- Houses & Bungalows	<b>91</b>	93
Multi-occupied Dwellings	<b>95</b>	95
	<b>5,330</b>	<b>5,357</b>

The change in stock can be summarised as follows:

	<b>2006/2007</b>	<b>2005/2006</b>
	No's	No's
Stock at 1 April	5,357	5,385
Less: Sales	(27)	(28)
<b>Stock at 31 March</b>	<b>5,330</b>	<b>5,357</b>

The most recent valuation of HRA dwellings was at 1 April 2003. The valuation of dwellings has been uplifted to 31 March 2007 in the 2006/07 accounts and this is reflected in the Balance Sheet valuation shown below:

	<b>31 March 07</b>	<b>31 March 06</b>
	£'000	£'000
Operational Assets (Dwellings, garages, etc)	480,845	460,636
Non-Operational Assets (Shops etc.)	2,190	1,974
	<b>483,035</b>	<b>462,610</b>

### 2. Rent Arrears and Bad Debts

	<b>2006/2007</b>	<b>2005/2006</b>
	£'000	£'000
Arrears at 31 March	<b>601</b>	<b>547</b>
Rents arrears as a percentage of gross rent income	<b>3.0%</b>	<b>2.8%</b>
	£'000	£'000
Bad debt provision at 1 April	195	200
Transfer rent rebate provision to General Fund	-	(17)
Debts written off in the year	(64)	(67)
Increase/(decrease in provision)	67	79
<b>Bad debt provision at 31 March</b>	<b>198</b>	<b>195</b>

## Housing Revenue Account – Notes to the Accounts (continued)

### 3. Vacant Possession

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.

Vacant Possession Value	At 31 March 2007 £'000	At 1 April 2006 £'000
<b>HRA Dwellings</b>	<b>1,043,936</b>	<b>999,849</b>

### 4. Capital Expenditure

a) Capital expenditure on the improvement of Council dwellings was financed as follows:

	2006/2007 £'000	2005/2006 £'000
Major Repairs Reserve	2,647	2,552
Revenue contribution to capital	425	-
Supported Capital Borrowing	918	1,803
Capital Receipts	1,634	761
Grants and Contributions	209	-
	<b>5,833</b>	<b>5,116</b>
Less deferred charge (cash incentive scheme to assist Council tenants to buy)	(75)	(104)
<b>Capital additions per the notes to the core financial statements</b>	<b>5,758</b>	<b>5,012</b>

The Council is committed to capital expenditure £4.25m in 2007/2008 due to Housing Investment Programme schemes remaining incomplete at 31 March 2007.

### 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 in 2006/07 the Authority has paid 56.25% of its capital receipts from the disposal of housing assets to the National Pool.

	2006/2007 £'000	2005/2006 £'000
House Sales (subject to pooling)	3,738	3,343
Land	65	115
Repayments of Discounts	34	22
Mortgagors	14	16
<b>Total</b>	<b>3,851</b>	<b>3,496</b>

## Housing Revenue Account – Notes to the Accounts (continued)

### 4. Capital Expenditure (continued)

Less Costs	(177)	(192)
Payments to National Pool		
For current year	(2,025)	(1,185)
Adjustment re prior years	30	(23)
<b>TOTAL</b>	<b>1,679</b>	<b>2,096</b>

The Housing Capital Receipt balance on 31 March 2007 was £13,744,870.

### 5. Rent Rebates

Assistance with rents for those on low incomes is available under the Housing Benefits Scheme. 48.2% 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 allowance, benefit costs 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.

	2006/2007 £'000	2005/2006 £'000
<b>Notional expenditure</b>		
Management & Maintenance	7,833	7,233
Major Repairs Allowance	3,687	3,693
Charges for capital	800	769
Admissible Allowance	2	3
Rental constraint allowance	414	-
<b>Total notional expenditure</b>	<b>12,736</b>	<b>11,698</b>
<b>Notional income</b>		
Rents	(19,714)	(18,423)
Interest receipts	(4)	(5)
<b>Total notional income</b>	<b>19,718</b>	<b>(18,428)</b>
Underpayment prior year	(37)	-
<b>Total Negative HRA Subsidy payable to the Government</b>	<b>(7,019)</b>	<b>(6,730)</b>

## Housing Revenue Account – Notes to the Accounts (continued)

### 7. Depreciation

The Council's housing stock is depreciated in accordance with FRS 15 over 60 years on a straight-line basis. Land and buildings is further split on a 40:60 basis for the appropriate depreciation of buildings.

	Charged 2006/2007 £'000	Charged 2005/2006 £'000
Land and Buildings	4,431	4,245
Multi Occupied Dwellings	417	398
Garages	45	44
	<b>4,893</b>	<b>4,687</b>

### 8. Amortised Premiums and Discounts

When the Council repaid its external debt in 2001/02 it was required to pay a premium to the PWLB. This has, in effect, been charged as an advanced payment in the General Fund (to comply with Housing legislation) and is being recovered over a period of ten years from the HRA. An equivalent amount is received in subsidy from the DCLG so the net impact on the HRA is nil.

### 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:

	2006/2007 £'000	2005/2006 £'000
Opening Balance 1 April	3,296	2,125
Transfer to Reserve in year		
Depreciation Dwellings	4,848	4,643
Depreciation Non-Dwellings	45	44
Voluntary MRP (Debit repayment)	(123)	(89)
Used to fund capital expenditure in year	(2,647)	(2,552)
Interest Received	182	118
Transferred to HRA in year	(1,206)	(993)
<b>Closing Balance at 31 March</b>	<b>4,395</b>	<b>3,296</b>

## Housing Revenue Account – Notes to the Accounts (continued)

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### 10. Pension Costs

Pension costs have been shown in accordance with FRS 17, this is in line with latest guidance.

Full details of the pension costs for the whole authority are included within Note 10 to the Core Financial Statements.

	<b>2006/2007</b>	<b>2005/2006</b>
	£'000	£'000
Net Cost of Services:		
▪ Current service cost	381	292
Net Operating Expenditure:		
▪ Interest costs	804	715
▪ Expected return on assets in the scheme	(739)	(574)
<b>Sub-total</b>	<b>65</b>	<b>141</b>
Amounts to be met from Government Grants and Local Taxation		
▪ Movement on pensions reserve	(49)	(45)
<b>Actual amount charged against Rents for pensions in the year:</b>		
▪ <b>Employers' contributions payable to scheme</b>	<b>397</b>	<b>388</b>

## Collection Fund 2006-2007

Previous Year £'000		2006/2007	
		£'000	£'000
	<b>Income</b>		
(69,502)	Council Tax		(73,371)
(4,920)	Transfers from General Fund - Council Tax Benefits		(5,155)
(44,702)	National Non-Domestic Rates		(49,657)
<b>(119,124)</b>	<b>Total Income</b>		<b>(128,183)</b>
	<b>Expenditure</b>		
	Precepts and demands		
55,195	- Hertfordshire County Council	58,551	
6,946	- Hertfordshire Police Authority	7,370	
10,909	- St Albans District Council	11,334	
<b>73,050</b>			<b>77,255</b>
44,529	National Non-Domestic Rates		
212	- Payment to National Pool	49,449	
	- Costs of collection – credit to General Fund	208	
<b>44,741</b>			<b>49,657</b>
	Bad and Doubtful Debts		
46	- Provisions for uncollectable amounts -Council Tax	107	
90	- Write offs – Council Tax	121	
<b>136</b>			<b>228</b>
	Previous Years Estimated surplus Contribution to:		
84	- General Fund	198	
418	- Hertfordshire County Council	1,003	
52	- Hertfordshire Police Authority	126	
<b>554</b>			<b>1,327</b>
<b>118,481</b>	<b>Total Expenditure</b>		<b>128,467</b>
<b>(643)</b>	<b>Deficit/(Surplus) for the year</b>		<b>284</b>
<b>(785)</b>	<b>Balance at 1 April</b>		<b>(1,428)</b>
<b>(1,428)</b>	<b>Balance at 31 March</b>		<b>(1,144)</b>

## Collection Fund – Notes to the Accounts 2006-2007

1. Part IV of the Local Government Finance Act 1988 (Section 89) as amended by Schedule 10 of the Local Government Finance Act 1992 requires billing authorities to maintain a separate Collection Fund.

2. The Collection Fund is managed and administered by St Albans District Council as the Billing Authority on behalf of the council taxpayers and business ratepayers within its area. All sums raised from council tax and business rates are paid into the Fund together with relevant government grants. Payments out of the Fund include contributions to the National Non-Domestic Rate Pool and precept payments to Hertfordshire County Council, Hertfordshire Police Authority, St Albans District Council and Town and Parish Councils to fund their net service requirements.

3. **Business Rates (NNDR)**

Rateable value at 31 March 2007 per Valuation Office	£137,786,820
Agency	
NNDR rate poundage	43.3p
Small business rate NNDR	42.6p

4. **Council Tax**

	£
Income raised from Council Tax	£73,371,033
Council Tax Levy at Band D	
- Hertfordshire County Council	984.95
- Hertfordshire Police Authority	123.98
- St Albans District Council	159.89
	<b>1,268.82</b>
-Add Town and Parish Councils	30.77

**Average Council Tax Levy at Band D** **1,299.59**

Council Tax Base		Number of dwellings	Band D equivalent
Tax Band	Property Value		
A	Up to £40,000	708	472
B	between £40,001 & £52,000	2,228	1,733
C	between £52,001 & £68,000	7,153	6,358
D	between £68,001 & £88,000	13,607	13,607
E	between £88,001 & £120,000	11,315	13,829
F	between £120,001 & £160,000	7,954	11,489
G	between £160,001 & £320,000	6,465	10,775
H	over £320,000	892	1,783

	<b>50,322</b>	<b>60,046</b>
Less adjustment for non-collection (1.0%)		(600)

**Council Tax Base** **59,446**

**Precepting Authorities**

	£
- Hertfordshire County Council	58,551,337.70
- Hertfordshire Police Authority	7,370,115.08
- St Albans District Council (including Town and Parish Councils)	11,334,029.00
	<b>77,255,481.78</b>

5. The estimated surplus on the Council Tax element is credited each year to the District Council, the County Council and the Police Authority in proportion to their precepts.

## **The Statement on Internal Control**

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### **1. Scope of Responsibility**

- 1.1 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, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.
- 1.3 Responsibility for the management of risk and the establishment, maintenance and development of the system of internal financial control lies with the Council's senior managers, who in turn are supported by assurances received from reviews undertaken by the Council's Internal Audit Department.

### **2. The Purpose of the System of Internal Control**

- 2.1 The system of internal control is designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk; it can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.2 The system of internal control has been in place for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts.

### **3. Scope of Internal Control**

The scope of internal control spans the whole range of the Authority's activities and includes those controls designed to ensure that:

- laws and regulations are complied with;
- the Authority's policies are put into practice;
- the Authority's values are met;
- required processes are adhered to;
- financial statements and other published information are accurate and reliable;
- human, financial and other resources are managed efficiently and effectively, and
- high quality services are delivered efficiently and effectively.

### **4. The Internal Control Environment**

- 4.1 The system of internal control is based on a framework of:

- The Authority's corporate vision and aims, which are approved by Council and included in the Corporate Plan.

Service planning and budgeting, which are an integral part of the Authority's planning cycle and set out within the Corporate Calendar. Service plans inform the budget setting process so that resources are directed to priority areas.

## The Statement on Internal Control (continued)

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### 4.1 (continued)

- However the service planning and budget setting exercises have traditionally been undertaken as separate exercises, thus weakening the link between them. Whilst some improvements have been made, a project has been initiated by the Chief Executive to examine how the service planning and budget processes can be better integrated, and thereby link service plans and budgets more closely.
- Service plans include detailed action plans and relevant performance indicators. Progress against these is measured through the performance management framework including quarterly reports to Overview and Scrutiny Committees. The Council aims to achieve continuous improvement in the way its functions are exercised.
- Procedures for policy and decision-making are enshrined within the Council's Constitution, which is reviewed on an annual basis. The Constitution includes Articles of the Constitution, Responsibility for Functions, Scheme of Delegation, Procedure Rules (including Financial Regulations and Contract Procedure Rules), and Codes and Protocols. This ensures that procedures followed are efficient, transparent and accountable to local people.
- Policy and decision making is the role of Cabinet. Meetings are open to the public except where personal or confidential matters are being disclosed. In addition, senior officers of the Council can make decisions under delegated authority. The Council publishes a Forward Plan, which contains details of key decisions to be made. Cabinet decisions are subject to call in by the Overview and Scrutiny Committees.

4.2 The Authority currently operates three Overview and Scrutiny Committees, an NHS Overview and Scrutiny Committee and an Overview and Urgency Committee.

4.3 Financial Management of the Authority includes the following aspects:

- Medium Term Financial Strategy
- Budgets and capital programmes set by Council;
- Regular monitoring/reporting of performance against budgets;
- Financial Regulations;
- Annual Financial Statements;
- Treasury Management

The Head of Finance is the officer appointed under Section 151 of the Local Government Act 1972 to have responsibility for financial matters.

Financial Management is strengthened by the work of Internal Audit.

The Authority seeks to ensure economical, effective and efficient use of resources through its Corporate Procurement Strategy. Corporate procurement will be enhanced by the recruitment of a Procurement Officer in 2007/08.

The council is working to strengthen risk management and business continuity. Risk Management training has been provided to CMT and Members and is a part of the Members Training Programme.

Further risk management training will be given to officers from all departments during May 2007 and a Corporate and Departmental risk registers will be produced, for the first time, by the end of June 2007.

## The Statement on Internal Control (continued)

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### 4.3 (continued)

The Corporate Risk Management Group has updated its terms of reference, which will now be used as a model for other groups within the Authority. The Risk Management Group have reviewed and updated the Risk Management Policy and Strategy, which were approved by Cabinet in March 2007. The Strategy provides a comprehensive framework for the management of risk throughout the Council.

The Risk Management Group has defined Terms of Reference to develop a risk management framework and to embed risk management across the Council.

A new Anti Fraud Group has also been established to address issues of fraud on a corporate basis. This will enable the establishment of a single whistle blowing hotline to be established, as well enable better coordination of fraud work across the Authority.

The training, risk registers, Risk Management Group and the Anti Fraud Group will all greatly enhance the management of risk at SADC.

The Council has an objective and professional relationship with external audit.

## 5. Review of Effectiveness

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

5.2 Maintenance and review of the effectiveness of the system of internal control has been performed at a number of levels within the Authority:

- Council has approved changes to the constitution following a review. It has also approved prudential indicators;
- The Overview and Scrutiny (Corporate Services) Committee (the Committee), which performs the function of an Audit Committee received the External Auditor's annual audit and inspection letter and the annual report of the Head of Internal Audit. It also received, at each of its regular meetings, copies of individual internal audit reports;
- The Internal Audit Department is committed to delivering a comprehensive and professional Internal Audit service across the Council. The department operates in accordance with the standards prescribed by the Institute of Internal Auditors (UK and Ireland) and the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom. The department also aims to assist management in the effective discharge of their responsibilities by providing them with analysis, appraisals, opinions, recommendations, advice and information concerning the activities reviewed. The Head of Internal Audit's annual report provides an independent opinion on the adequacy and effectiveness of the system of internal financial control;
- The Head of Internal Audit reports directly to the Chief Executive;
- The Internal Audit Department is subject to regular inspection by the Council's external auditors who place reliance on the work carried out by the section;

## The Statement on Internal Control (continued)

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### 5.2 (continued)

- The Risk Management Group had been reinvigorated by:
  - establishing new terms of reference;
  - having as sponsors both the Chief Executive and the Portfolio holder for Resources and Efficiency;
  - reviewing and updating the Risk Management Policy and Strategy.
- In 2006/07 the Committee assumed the responsibility of an Audit Committee. The Committee receives reports from the Head of Internal Audit and the External Auditor's annual management letter. The Committee has the authority to question members of the Cabinet and/or Committees and Council officers and make recommendations to Cabinet and Council. Internal Audit reports are submitted to each meeting of the Committee.

5.3 Work on improvements to Business Continuity and Disaster Recovery Planning continued during the year.

5.4 In March 2007 the Audit Commission published its Annual Audit letter for 2005/06, which included a "Direction of Travel" report. The report stated that SADC is one of the most improved district councils in the country in terms of performance indicators.

5.5 The review of the effectiveness of the system of internal control is informed by:

- The work of the Council's Directors, Heads of Service and other senior managers;
- The work of the Council's Internal Audit team 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 Letter and other reports.

5.6 At the conclusion of each audit review, recommendations to strengthen any control weakness that may have been identified are made by either the Internal Audit team or the External Auditor. All audit recommendations agreed by the relevant senior manager have set timeframes and responsibilities for implementation. These were monitored by the Head of Internal Audit and included with the reports submitted to the Committee.

## The Statement on Internal Control (continued)


### 6. Summary / Significant Internal Control Issues


The following significant internal control issues have been identified by Internal Audit in our reports. All of these issues are being addressed or have already been addressed. Internal Audit will undertake follow up audits during 2007/08 to confirm that Management have implemented agreed recommendations.

Identified By:	Issue	Actions & Management Update
Benefits	Users who had left the Authority still had access to the iWorld system.	<p>Written policies and procedures for the granting of rights to the iWorld system shall be produced and given to the appropriate officers.</p> <p>Revenue and Benefits Services Manager confirmed that the policy and procedure was implemented week commencing 21 May 2007.</p>
General	Business Continuity Plans for several departments have not been updated since June 2005.	<p>Management shall establish target dates by which Business Continuity Plans will be completed.</p> <p>The Community Resilience Officer who is updating the plans in consultation with departments stated that 5 plans have been completed, with a further 3 to be completed in June and the remaining by mid August.</p>
BACS	Access to the BACS system is obtained through password and swipe cards. There are only two generic cards and passwords used for BACS transmissions, which are held in IT together in an unlocked cupboard.	<p>Cards and passwords to be obtained from authority's bank. Normally long lead in time for bank to provide.</p> <p>ICT Services Support Manager has confirmed that all required individuals received cards and passwords by the 31 March 2007.</p>
Firewall and Perimeter Security	There is no process for investigating, reporting and acting upon detected intrusions.	<p>EAB asked to investigate reporting capability, given the levels of automation involved. Certainly reporting needs to be improved.</p> <p>This has not been formally progressed. It is informally known by EAB to report any detected intrusion. This will be formally resolved within any contract with a new technical partner. In the interim there is to be more formal monitoring of EAB.</p>
Access Controls	There is no IT Security Policy. This was first recommended in an audit on IT Policies and Procedures and was agreed to be implemented by June 2005. This was being drafted during the audit and was expected by the end of November 2006.	<p>An IT Security Policy, which addresses remote access and consequence of any breach of the policy, should be produced.</p> <p>Information Security Officer confirmed that the IT Security Policy is being submitted to June Corporate Management Team for approval.</p>

Access Controls	Officers other than IT staff were identified as having Administrator rights. One of these accounts set up in May 2006 had never been accessed. Access rights are not reviewed to ensure users do not have excessive rights.	Regular reviews of access rights should be undertaken to ensure correct levels of access permission are applied.  ICT Services Support Manager confirmed that regular access permission reviews have been carried out since March 2007.
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We have been advised on the implications of the review of the effectiveness of the system of internal control operating within the authority as considered by the Overview and Scrutiny (Corporate Services) Committee and Cabinet.

Chief Executive:  |  
 (Date) 5<sup>th</sup> June, 2007

Leader of the Council:   
 (Date) 6<sup>th</sup> June, 2007

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

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## **Opinion on the financial statements**

I have audited the financial statements of St Albans City and District Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Explanatory Foreword, Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to St Albans City and District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

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

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial 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 financial statements presents fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' issued in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

## **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 financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

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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 financial statements 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 financial statements.

### **Opinion**

In my opinion, the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended.

Debbie Hanson  
District Auditor

28 September 2007

Audit Commission, 1<sup>st</sup> Floor, Sheffield House, Lytton Way, off Gates Way, Stevenage, Herts  
SG1 3HG

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

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## **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Authority's Responsibilities**

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

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

### **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 specified by the Audit Commission for principal local authorities. 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.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

### **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, 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 2007.

### **Best Value Performance Plan**

I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 in December 2006. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

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

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### **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.

Debbie Hanson  
District Auditor

28 September 2007

Audit Commission, 1<sup>st</sup> Floor, Sheffield House, Lytton Way, off Gates Way, Stevenage, Herts  
SG1 3HG

## Glossary of Terms

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### **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 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.

### **Asset Rentals (Capital Financing Charges)**

Charges made to those services using capital assets owned by the authority in order to reflect their use of those assets.

### **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.

### **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) and supersedes the Credit Ceiling.

### **Capital Financing Reserves**

Reserves which show the amount of capital expenditure less depreciation charges.

### **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.

## **Glossary of Terms (continued)**

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### **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.

### **Deferred Charges**

Expenditure which may properly be deferred but which does not result in or remain matched with tangible assets. An example of a deferred charge is expenditure on Home Renovation Grants.

### **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.

### **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.

## **Glossary of Terms (continued)**

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### **Fixed Asset Restatement Account**

A reserve set up to reflect increases in asset values following revaluation. Monies held in this reserve cannot be used to finance revenue or capital expenditure.

### **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 Revenue Account (HRA)**

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

### **Income**

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

### **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.

### **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.

### **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.

## **Glossary of Terms (continued)**

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### **Public Private Partnership (PPP)**

A contract between the Council and a company in the private sector.

### **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.

### **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*).

### **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:

- (a) goods or other assets purchased for resale;
- (b) consumable stores;
- (c) raw materials and components purchased for incorporation into produces for sale;
- (d) products and services in intermediate stages of completion;
- (e) long term contract balances; and
- (f) 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.

## PAYMENTS OF COUNCILLORS' ALLOWANCES FOR THE FINANCIAL YEAR

### APRIL 2006 – MARCH 2007

The District Council's 68 Councillors are entitled to claim allowances for their work as elected representatives.

Basic Allowance covers the time devoted by Councillors to their work outside Council meetings such as meetings with constituents, site visits, correspondence and telephone calls and political group meetings.

Special Responsibility Allowances were paid to Councillors who held the following posts designated by the Council:

Cabinet Chairs; Portfolio Holders; Chairs and Vice-Chairs of Overview and Scrutiny Committees, Area Planning Committees and the Chair and Members of the Licensing and General Purposes Committee attending daytime hearings.

The amounts paid to each Councillor during the financial year from 1 April 2006 until 31 March 2007 are set out below. Details of the payments can be inspected during normal office hours by any person whose name appears on the current register of electors.

This information is also displayed on the Council's website [www.stalbans.gov.uk](http://www.stalbans.gov.uk). See Local Democracy/Council Policies and publications.

Please contact the Democratic Services Manager, Jill Durham, on telephone 01727 819519. e-mail [corporateadmin@stalbands.gov.uk](mailto:corporateadmin@stalbands.gov.uk)

Details of the number of meetings of the Council, Cabinet, committees and other bodies attended by Councillors during the Municipal Year 2006-07 can be obtained upon application to the Democratic Services Manager, Chris Fagan on telephone 01727 819519.

e-mail [corporateadmin@stalbands.gov.uk](mailto:corporateadmin@stalbands.gov.uk)

A summary of this information is displayed on the Council's website [www.stalbans.gov.uk](http://www.stalbans.gov.uk). See Local Democracy/Councillors Attendance at Meetings 2006/07.

TITLE	INITIALS	MEMBER	BASIC ALLOWANCE	SPECIAL RESPONSIBILITY	TOTAL
			£	£	£
MR	R J	Biddle	5,169.96	2,420.80	7,590.76
MR	C N	Brazier	5,169.96	9,030.00	14,199.96
MRS	S M	Burton	5,169.96	9,030.00	14,199.96
MS	S	Campbell	861.66		861.66
MR	D R	Canham	5,169.96	83.34	5,253.30
MRS	S J S	Carr	5,169.96		5,169.96
MR	A	Chamberlain	4,308.30		4,308.30
MR	J C	Chambers	5,169.96	969.96	6,139.92
MR	G R	Churchard	5,169.96	1,505.00	6,674.96
MR	D C	Clarke	861.66	345.00	1,206.66
MR	T O	Clegg	5,169.96	920.04	6,090.00
MR	J F	Daly	5,169.96	2,304.20	7,474.16
MR	I J	Day	4,308.30		4,308.30
MR	R F	Donald	5,169.96	12,695.04	17,865.00
MRS	W M	Dunleavy	861.66	153.34	1,015.00
MR	P	Edelston	5,169.96	766.70	5,936.66
MRS	C A	Ellis	5,169.96	758.34	5,928.30
MR	M J	Ellis	5,169.96	8,126.66	13,296.62
MR	S C	Flynn	5,169.96	1,059.16	6,229.12
MR	P G	Foster	5,169.96	2,765.04	7,935.00
MR	M J	Frearson	5,169.96	2,322.46	7,492.42

TITLE	INITIALS	MEMBER	BASIC ALLOWANCE	SPECIAL RESPONSIBILITY	TOTAL
			£	£	£
MRS	P	Garrard	4,308.30		4,308.30
MR	M	Gaygusuz	4,308.30		4,308.30
MS	E M	Gordon	5,169.96	460.84	5,630.80
MR	M A	Green	4,308.30		4,308.30
MR	R	Grenfell-Hill	861.66		861.66
MS	E E	Harris	5,169.96		5,169.96
MS	E R	Harris	5,169.96	326.66	5,496.62
MR	G V	Harrison	5,169.96	2,420.80	7,590.76
MS	TC	Heritage	5,169.96	1,570.04	6,740.00
MR	M R	Ketley	861.66		861.66
MR	M D	Leach	5,169.96		5,169.96
MS	A	Lee	5,169.96	9,030.00	14,199.96
MS	J M	Lusby	5,169.96		5,169.96
MR	M	MacMillan	5,169.96	2,304.20	7,474.16
MR	A V	Marshall	5,169.96	920.04	6,090.00
MRS	R A	Mills	5,169.96	2,765.04	7,935.00
MRS	K M	Morris	5,169.96		5,169.96
MR	M	Morris	5,169.96	820.00	5,989.96
MR	G	Myland	5,169.96	945.00	6,114.96
MR	J H	Newman	5,169.96	460.84	5,630.80
MR	C C	O'Donovan	5,169.96		5,169.96
MR	C W	Oxley	5,169.96	9,030.00	14,199.96
MR	M F	Pakenham	861.66	50.00	911.66
MR	A H	Pawle	5,169.96	2,420.80	7,590.76
MR	B R	Peyton	5,169.96	2,271.70	7,441.66
MR	D J	Poor	4,308.30		4,308.30
MS	D A	Pratley	861.66		861.66
MR	R G	Prowse	5,169.96		5,169.96
MR	B J	Read	5,169.96	320.00	5,489.96
MR	A F	Rowlands	4,308.30	766.70	5,075.00
MRS	P	Schofield	861.66		861.66
MRS	J C	Shardlow	4,308.30	195.00	4,503.30
MR	B G	Sinfield	5,169.96		5,169.96
MS	J	Smith	5,169.96	965.04	6,135.00
MR	K	Stammers	861.66	484.16	1,345.82
MRS	A M	Steer	5,169.96	915.84	6,085.80
MS	E	Stevenson	5,169.96		5,169.96
MRS	J	Stroud	5,169.96	325.00	5,494.96
MR	A E	Swendell	5,169.96	600.00	5,769.96
MR	M	Teare	5,169.96	9,030.00	14,199.96
MR	G H	Turner	4,308.30		4,308.30
MR	D M	Waddilove	5,169.96		5,169.96
MRS	S J	White	5,169.96	2,304.20	7,474.16
MR	C J	Whiteside	5,169.96		5,169.96
MR	R	Wicks	861.66		861.66
MRS	I	Willcocks	4,308.30		4,308.30
MR	D J	Yates	5,169.96	7,525.00	12,694.96
<b>TOTAL</b>			<b>299,857.68</b>	<b>114,481.98</b>	<b>414,339.66</b>