



St Albans
City & District Council

Statement of Accounts 2019/20

UNAUDITED

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Foreword by the Deputy Chief Executive (Finance and Legal)

Dear Reader,

I am pleased to present the Statement of Accounts for St Albans City and District Council for the year ended 31 March 2020.

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

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

A handwritten signature in black ink, reading "Colm O'Callaghan". The signature is written in a cursive style with a large, prominent loop at the end.

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

Narrative Statement

General Information

The City and District of St Albans has a rich and noble history. The District is a blend of historic City, vibrant towns and pretty villages and beautiful countryside. It has a resident population of over 148,000 people – the third highest in Hertfordshire.

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

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

A home to many employers

The majority of employment in the District is in business administration and support services (20%) followed by professional, scientific and technical work (16%), wholesale and retail trades (15%), and education (9%).

St Albans residents are primarily employed in management, professional and technical occupations. This accounts for 61% of employed residents against an average for the East of England of 47%. Administrative and skilled trades account for 17% of residents' occupations in St Albans District against an average for the East of England of 21%.

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

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About St Albans City and District Council

St Albans District is in West Hertfordshire.

- We are one of ten District and Borough Councils in Hertfordshire.
- We provide a wide range of local services including planning and building control, housing, waste and environmental services.
- We are represented by 58 District Councillors in 20 wards, directly elected to serve four-year terms.
- We currently employ over 400 full time equivalent employees.
- We work with partners such as Town and Parish Councils, Hertfordshire County Council, the Police, the voluntary and community sector, and health and educational sectors.
- We own our own housing stock and also work with a number of partner housing associations to provide homes for local people.
- We work with a number of commercial partner organisations that provide local services on our behalf.

Our Vision, Commitments and Priorities

Our vision sets out our overarching goal.

Our commitments are our objectives for delivering the vision.

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

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

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

Our priorities for 2019/20 are set out below:

Our priorities for 2019-2020	Our work during the year
Managing the climate emergency	
Improve Council houses and flats in order to reduce significantly energy use and CO ₂ emissions, providing better homes and lower energy bills.	<ul style="list-style-type: none">• New boilers were installed, and central heating upgraded.• Electrical rewires and works on kitchen and bathrooms have been completed.• Some roofing works and the installation of windows and doors completed and others in progress.

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Our priorities for 2019-2020	Our work during the year
	<ul style="list-style-type: none"> • Fire safety assessments and improvement works are underway.
<p>Establish a Climate Crisis Response Working Group to consider what action is needed locally to respond to the Climate Emergency and develop a plan of action for 2020 and beyond.</p>	<ul style="list-style-type: none"> • The Council's Climate Crisis Response Working Group first met in September 2019. • The Group includes elected Members and representatives from local organisations. • A Net Zero Action Plan has been drafted and is under discussion.
<p>For all Council events from 2019/20 (including Food and Drink 'Festival' 2019, Christmas Programme 2019, Housing Tenants Open Day 2019, Flourishing Lives (older people's day) 2019) put in place new measures to avoid use of plastics and maximise recycling.</p>	<ul style="list-style-type: none"> • New event bin top lids were co-designed with the Council's waste contractor, Veolia. These bright, colourful lids fit bins with a 240-litre capacity and are intended to encourage eventgoers to separate waste by recyclable materials. So far, this has resulted in more recycling. Members of staff monitored the bins at events to encourage compliance. • A sustainability guidance pack for event traders was created to improve trading practices. • The use of single-use plastic, including cutlery, bottles and carrier bags, at the 'Festival' event was prohibited. Traders adhered to this policy well. • A 'Love Food, Love St Albans' canvas bag was offered to traders as an alternative to plastic bags. These have been reused by some shoppers. • An attempt was made to introduce branded, reusable cups to events. However, without the necessary infrastructure to wash and dry the cups for storage, this has not been as successful as first hoped. The Community Engagement team has been in contact with companies who could wash, dry and store cups using minimal energy and water.
<p>Increase the quantity and quality of social housing</p>	
<p>Progress the sheltered housing redevelopment programme.</p>	<ul style="list-style-type: none"> • The handover of the former Linley Court development took place in early 2020. • The Wavell House/Warner House project is underway. • Works on Mereden Court began in February 2020.

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Our priorities for 2019-2020	Our work during the year
Progress the development of the St Albans City Centre Opportunity Site (CCOS) South	<ul style="list-style-type: none"> • Following a public consultation and competition, a design for CCOS South was chosen. A planning application is to be submitted in July 2020. • Enabling works to construct the basement are continuing on site.
Progress the development of the St Albans City Centre Opportunity Site (CCOS) North	<ul style="list-style-type: none"> • A design competition for CCOS North is to be launched by the end of June 2020. The appointment of an architect and consultancy team will follow its conclusion.
Progress the redevelopment of Ridgeview in London Colney.	<ul style="list-style-type: none"> • A viable business case was approved by the Portfolio Holder and Cabinet. • The Cabinet approved the budget for the project. • A Pre-Construction Services Agreement scope was approved, and contracts were prepared.
Support our communities	
Progress the Local Plan for adoption following inspection in January/February 2020. Continue to liaise with neighbouring authorities in line with our duty to cooperate over strategic planning.	<ul style="list-style-type: none"> • Local Plan hearings took place in January 2020. • Following a letter from the Inspectors, future hearings in late January and February 2020 were held in abeyance. • A further letter from the Inspectors indicated concerns with the Council's duty to cooperate and cited 'soundness concerns'.
Progress development of Harpenden leisure and cultural facilities.	<ul style="list-style-type: none"> • Work on a new cultural centre in Harpenden commenced in September 2019. • Works on the leisure centre extension, including sports hall, learner pool and gym are underway. • Spoil relocation application submitted and approved.
Progress the business plan for the regeneration of Marlborough Pavilion and ensure a viable planning application is submitted.	<ul style="list-style-type: none"> • The Council worked with local stakeholder groups to agree a design brief for the architect, Kyle Smart Associates. • The stakeholders were then consulted for further feedback on their produced plan, and site surveys commissioned to inform the viability of the scheme.
Be a business-friendly Council	
Support delivery of the Enviro Tech Enterprise Zone in partnership with Dacorum Borough Council, Hertfordshire	<ul style="list-style-type: none"> • A Memorandum of Understanding between the relevant parties was agreed. • A digital Enterprise Zone strategy was published.

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Our priorities for 2019-2020	Our work during the year
Local Enterprise Partnership and the relevant landowners.	<ul style="list-style-type: none"> • A new project to implement a Sustainable Travel Plan for the Maylands Business Area was launched in early December 2019. • A Construction Study was completed.
Implement digital technologies to transform services for customers: <ul style="list-style-type: none"> • Overhaul the Council's website to ensure it better meets the needs of the community including being smartphone friendly. • Extend and promote the services available through the 'MyStAlbans' account to improve access to services. 	<ul style="list-style-type: none"> • The new corporate website was launched in late January 2020 following internal testing. Officer training was undertaken, and an evaluation/reflection process completed to support project learning. • Increased the functionality available through MyStAlbans District account, including online access to Council tenant rent account statements, Council Tax billing information and additional green waste subscription service.
Undertake services reviews of at least 3 key areas to understand, set and meet customer expectations, increase productivity and embed our new organisational behaviours.	<ul style="list-style-type: none"> • Revenues and Benefits service review completed, and action plan developed, which is now being implemented. • Service reviews covering Planning & Building Control and Housing are underway.
Bring car park management and parking enforcement in house.	<ul style="list-style-type: none"> • The handover of the management of the Parking Service took place on 1 October 2019. • A Task and Finish Group was established to consider the Service's strategy and operations.
Hold the first of a series of Business Summits for local businesses in Autumn 2019.	<ul style="list-style-type: none"> • A business summit was held at the St Albans Museum + Gallery in October 2019. • Speakers included representatives from the St Albans District Chamber of Commerce, City of Expertise, and the St Albans Enterprise Agency. • Delegates were invited to discuss the type of support that they need to help their businesses grow.

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The Current Financial Climate

Although the impact in 2019/20 was small compared to the effect in 2020/21 the coronavirus pandemic is the dominant issue in the financial climate for the Council, mainly due to the effect of the lockdown on income and in terms of future prospects the economic impact during and following the lockdown period. Nothing else has as large an impact on the financial climate.

The Council, by law, manages its Housing finances (Housing Revenue Account) separately from those for the rest of its services (General Fund). General Fund services are predominantly funded from Council Tax, retained Business Rates and a small amount of government grants. The Council has generated additional income/made savings of £1.0m, £0.9m, £0.8m, £1.3m, £1.0m and £0.8m in the six years up to and including 2019/20.

We expect to make savings and additional income of approximately £2.3m for 2021/22 plus a further significant amount necessary to cover reduced income levels in 2021/22 due to the level of economic output being below early 2020 levels and behaviour change (in terms of its impact on travel and hence parking) The Council is working on this and expects amongst other things to have a change in operating model and staffing restructure.

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

- Balancing the investment needs against rent levels
- Changes to benefit payments and methods of paying them which seem likely to increase rent arrears and write offs, especially given a likely increase in the number of tenants on benefits
- An increase in rent arrears arising from covid and the recession

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

- Our ability to set appropriate charges and collect them
- Interest rates and inflation
- Any impacts on the economy due to the UK leaving the EU and Covid-19 pandemic.

Risks

The Council manages risk via corporate and departmental risk registers where it sets out inherent risks, current mitigations and residual risk as well as any further action proposed to be taken. We have highlighted and reported to Audit Committee some specific risks arising from the pandemic. Where possible the Council's approach has been to take action to reduce risks to an acceptable level. Our main financial risks are those related to income loss during the pandemic, large capital

Narrative Statement

project spending, or income streams which support them, income from recycling sales and the rate of recycling and the cost of planning appeals. The Annual Governance Statement provides details about how the Council manages risk. The Council, when it sets the budget, reviews the major risks and the level of reserves that could be used to meet any costs.

The Council has a target minimum General Fund level to £2.5m and to keep this under review in recognition of the current risk environment.

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

We also review the risks of any of the counter-parties we lend to as a part of our Treasury Management Strategy. This is to take account of any possible adverse movements in their creditworthiness.

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Summary of the Council's Financial Performance in 2019/20

General Fund results compared to budget

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

Comparison of Actual to Budget 2019/20	Notes	Budget £'000	Actual £'000	Variance £'000
Net Cost of Department				
Chief Executive & Policy	i	2,079	1,994	(85)
Finance and Legal	ii	3,367	3,129	(238)
Commercial & Development	iii	183	770	587
Community Services	iv	5,508	5,594	86
Corporate Services	v	708	597	(111)
Housing	vi	949	1,064	115
Planning & Building Control	vii	2,288	2,247	(41)
Net Council Budget		15,082	15,395	313
Funded by:				
Council Tax		10,986	10,986	-
Retained Business Rates	v	2,485	2,906	(421)
Collection Fund Surplus		200	157	43
New Homes Bonus and other grants		1,077	1,086	(9)
Total Income		14,748	15,135	(387)
Budgeted Contribution from General Balances and (Surplus)/Deficit for the year		334	260	(74)
Working Balance Brought Forward			(3,648)	
Net movement on General Balances 2019/20			260	
Working Balance Carried Forward			(3,388)	

The outturn for 2019/20 is a reduction to general reserves of £0.26m which is £0.074m less than budgeted. This resulted in a General Fund balance of £3.388m as at 31st March 2020.

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

The significant variances were as follows:

- i. a) £85k underspend related primarily to staff vacancies

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- ii. a) £140k underspend in the amount set aside to finance unfunded capital expenditure (Minimum Revenue Provision (MRP)) as not all capital schemes budgeted to be completed during 2018/19 were finalised. MRP commences the year following the completion of a capital scheme.
b) £109k unspent contingency. The contingency is set aside to cover one-off costs which relate to unforeseen items, set up costs for efficiency savings and unmet income targets.
c) £11k net overspend on all other budgets.
- iii. a) £76k loss of income in March 2020 in the museum and leisure services due to the Covid 19 pandemic
b) £140k museum service net spend in excess of budget. The museum service income, excluding Covid impact was £302k below budget. However, this was mitigated by underspends in expenditure of £162k.
c) £150k income target relating to parking charges at leisure sites not achieved which was partially offset by reduction in expenditure budgets.
d) £113k income from property rentals across the portfolio was below budget and costs relating to completed schemes increased by £45k due to the slowing of the housing market towards the end of the year.
e) £63k other net differences
- iv. a) £96k reduction in parking income in March 2020 due to Covid 19 as well as a reduction of £16k in market stall fees.
b) £118k further income shortfalls versus budget for the Charter Market
c) £131k recycling income in excess of the budget for the year.
d) £13k other net underspends against budget
- v. a) £111k most of the underspend resulted from staff vacancies.
- vi. a) £80k overspend on costs of temporary homeless and homeless support
b) £37k cost of IT applications in excess of budget
- vii. a) £41k net underspend on planning and building control services. There were fewer planning applications in 2019/20 than budgeted for resulting in £261k income less than budget. However, this was offset by significant savings in staff and related costs and some other savings across the department (£302k).
- viii. In 2019/20 the Council joined the Hertfordshire 75% Business Rates Retention Pilot along with the other 10 councils in the county. The advantage of the pilot is that 75% of the growth in business rates across the County is retained for local investment as opposed to previous years when 50% of all growth is surrendered to central government. The sharing of the gains of the pilot was set out in the Hertfordshire agreement and the Council's pilot gain was £0.414m.

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Housing Revenue Account (HRA) compared to budget

The HRA budget, approved at Council in December 2018, shows a net deficit position. The following table shows the major variances between the approved HRA budget and the actual income and expenditure for the year. The table shows that the Council's net position, including transfers to and from reserves. For 2019/20 the net surplus was £4.55m, higher than originally budgeted. The HRA balance has increased to £9.06m.

Comparison of Actual to Budget				
2019/2020	Notes	Budget £'000	Actual £'000	Variance £'000
Income				
Dwelling Rents and service charges		(26,208)	(26,633)	(425)
Other Rents and income		(2,009)	(2,052)	(43)
Total Income	i	(28,217)	(28,685)	(468)
Expenditure				
Supervision & Management	ii	6,089	5,989	(100)
Repairs and Maintenance	iii	4,212	4,655	443
Other expenditure	iv	696	786	90
Total Expenditure		10,996	11,430	433
Other charges to the HRA				
Capital programme charges	v	7,615	7,884	269
Net Interest paid		4,861	4,788	(73)
Provision for debt repayment		7,000	7,000	-
Other		-	(20)	(20)
Total other charges to the HRA		19,476	19,652	176
Contribution from MRR to fund debt repayment		(2,000)	(7,000)	(5,000)
(Surplus)/Deficit for the year		255	(4,604)	(4,859)
Balance brought forward		(4,461)	(4,452)	8
Balance carried forward		(4,206)	(9,056)	4,851

- i. Total Income: Dwelling rents were reduced by 1% as required by the Welfare Reform and Work Act 2016. During the year there was a reduction in the number of void properties. Void properties that arise during the year are also let at target rent levels.
- ii. Supervision and Management: The main underspent is a result of staff vacancies in the year.
- iii. Repairs and maintenance: A review of capital expenditure for the year identified a number of items totalling £200k budgeted for as capital but now identified and re-classified as revenue items and transferred to 'Repairs and Maintenance'. The remaining difference relates to the large number of voids carried forward from the previous contract to the new Repairs Contractor in April 2019. There was also an increase in spend on gas repairs and maintenance of door entry systems.

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- iv The provision for bad debt has increased, reflecting the increase in applicants for Universal Credit
- v This amount is the depreciation charge on housing stock and is effectively set aside in the Major Repairs Reserve (MRR) for Capital Programme charges and debt repayment. Capital expenditure on enhancements such as new bathrooms, kitchens and windows, roofing that improve and add value to the housing stock totalling £3.294m were funded from the MRR. Consequently the MRR has increased which will be used in future years to fund capital spend and repay debt.

The Government introduced Housing Self Financing (HSF) in April 2012. Under this scheme the costs of running, maintaining and replacing the Council's housing stock is financed from income generated from rents and, if necessary, capital borrowing. The Council has loans of £158.3m in order to pay The Secretary of State under the terms of HSF. The Council took out a series of fixed interest loans and has so far repaid £32.7m to the lender, the Public Works Loans Board.

£38.7m was taken out in 2019/20 to fund new capital projects schemes for the General Fund.

The Council prepares a 30-year business plan for housing and the original plan in 2012 incorporated rent increases based on formulae set by the government at that time. However, under the Welfare Reform and Work Act 2016/17 the Council was required to reduce rents by 1% for 2016/17 and the next four years. The Council continually reviews the business plan, in particular the capital programmes, to try to mitigate for the loss of income. We currently expect to have to borrow in 2020/21 to enable the capital programme to be fulfilled.

During 2019/20 the Council sold 15 council homes under the government's Right to Buy scheme. The closing stock of housing at 31 March 2020 was 4,909 properties.

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Capital

Capital expenditure relates to the acquisition of non-current assets or expenditure that adds to (and not merely maintains) the value of an existing asset. The following table shows the capital outturn results for 2019/20 compared to budget and approved capital spend for the following two years.

SERVICE	Budget £'000	Actual £'000	Variance £'000
Housing Investment Programme (HRA)	10,571	7,256	(3,315)
Housing Investment Programme (Affordable Housing)	9,037	9,503	466
Community Services	872	11	(861)
Commercial and Development	48,326	15,834	(32,492)
Other Departments	1,844	1,571	(273)
Total	70,650	34,175	(36,475)
This Capital Programme was financed as follows:			
Capital receipts	4,395	4,559	164
Major repairs reserve	9,443	6,588	(2,855)
Government grants and third party contributions	1,840	1,444	(396)
Revenue contribution to capital expenditure	997	942	(55)
Prudential borrowing	52,007	18,659	(33,348)
1-4-1 Receipts	1,968	1,983	15
Deferred Payment	-	-	-
Total	70,650	34,175	(36,475)
APPROVED CAPITAL EXPENDITURE FOR THE FOLLOWING YEARS IS:			
	2020/21 £'000	2021/22 £'000	
General Fund	54,823	47,149	
Housing investment programme	20,544	15,538	
Total Capital Expenditure	75,367	62,687	
Financed by:			
Borrowing requirements	60,696	51,647	
Major repairs reserve	7,303	5,023	
Revenue contribution to capital expenditure	264	-	
Grants and contributions	4,824	1,142	
Capital reserves / receipts	2,280	4,875	
Total	75,367	62,687	

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

- £8.2m on the Harpenden Leisure and Cultural Scheme which started in 16/17
- £5.4m on the Civic Centre Opportunity Sites which started in 17/18

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- £1.4m on the Noke Shot Development which started in 18/19
- The remainder was spent on a range of projects across the district, to improve access to sports facilities, parks and open spaces and play equipment

The General Fund capital budget was underspent by £33.6m, the main reasons being:

- £18.6m underspend on Harpenden Estate. The purchase has been deferred to 2020/21 and the budget will also be re-phased to 2020/21.
- £11.4m underspend on City Centre Opportunity Sites (North and South). The budgets will be re-phased into 2020/21.
- £1m underspend on Harpenden Leisure and Cultural Development. The budget will be re-phased into 2020/21
- Remainder of underspend spread across a variety of projects including £0.44m underspend on Ridgeview. The budget will be re-phased into 2020/21

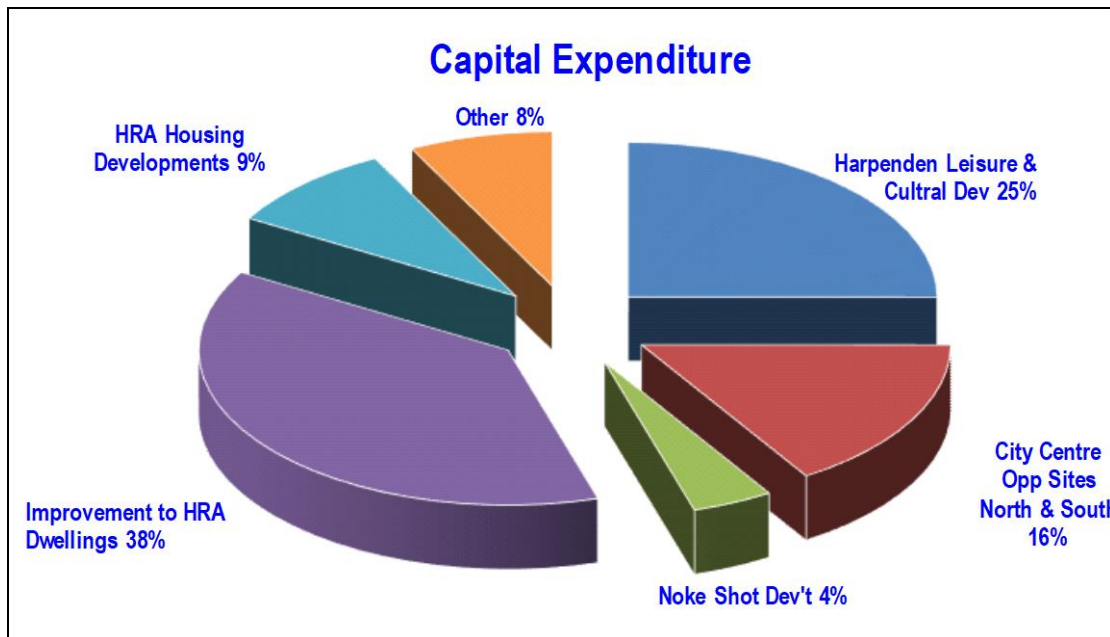
The Housing capital spend was £16.8 million against a budget of £19.6 million. The main areas of spend were:

- £8.7m on Affordable Homes. This includes the purchase of properties on the open market of £8.2m with the remainder on schemes including the Marlborough Road site.
- £3.3m on the housing stock on items such as bathrooms, kitchens, windows and doors; other planned improvements and reactive preventative works
- £2.6m on planned developments including Wavell House and Mereden Court, both of which are due to complete in 2020-21
- £0.6m on Disabled Facilities Grants.

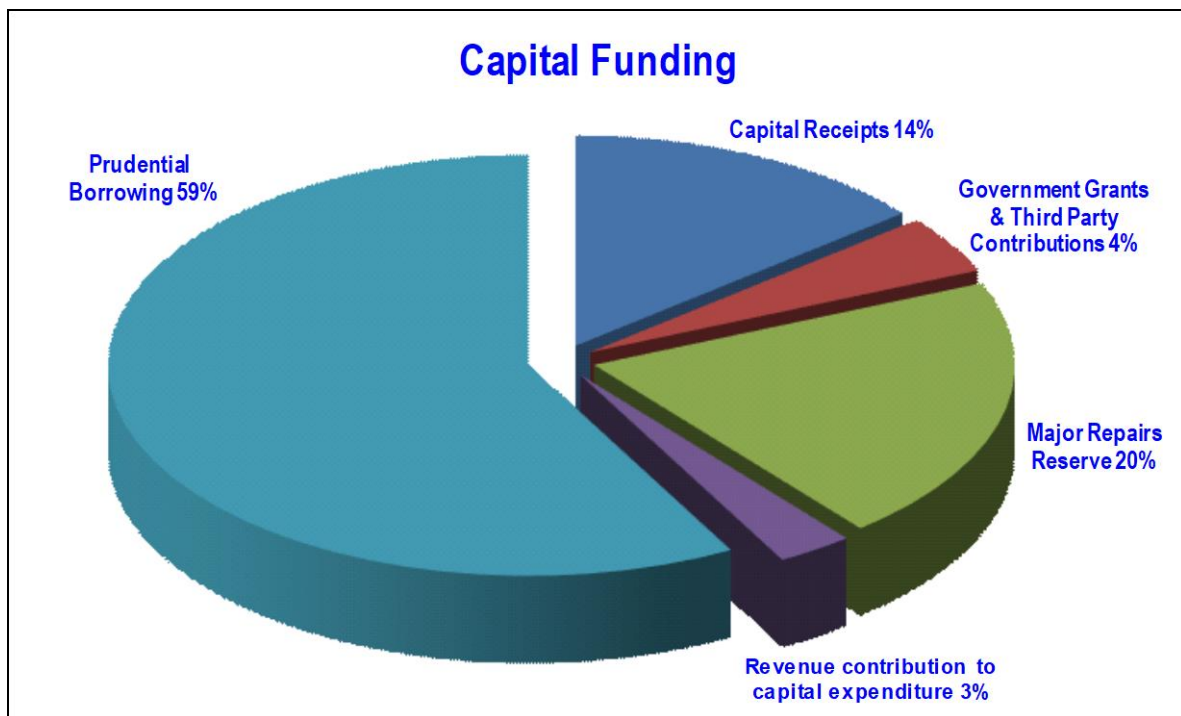
The Housing capital budget was underspent by £2.8m and the main reasons being:

- £1.3m on planned developments due to a delay in works starting on site at Wavell House and appointing a contractor at Mereden Court
- £0.8m on dwellings major contracts as there was some slippage in the renovation works programme during the year. This was made worse by delays in the month of March as we approached the lockdown.
- £0.7m on reactive preventative works due to Telford Court works falling into 20-21. Surveys have been carried out and the scope of works is being finalised.

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



Narrative Statement

Collection Fund

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

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

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

The Collection Fund had a deficit for the year of £5.036m (2018/19 £2.7m deficit) increasing the cumulative deficit at 2018/19 of £3.613m to £8.649m. Under the Business Rates Retention Scheme introduced in 2013/14, amounts are paid to precepting bodies on estimates at the beginning of the year. Any over or under payments are accounted for in subsequent year's estimates.

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

The Council's share of the Collection Fund deficit of £8.649m is £4.032m. This will be taken into account in future years' distributions in accordance with the legislation for business rates and council tax.

	Business Rates	Council Tax	Total
	£'000	£'000	£'000
Collection Fund Balance as at 31/03/20 of which			
St Albans District Council	10,924	(2,275)	8,649
(surplus)/deficit share	4,280	(248)	4,032

The Council has set aside an earmarked reserve to mitigate the effect of the deficit relating to business rates on the General Fund Balance in future years.

Narrative Statement

Pensions

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

Overall, the pension fund deficit has fallen by £12.7m during the year to £41.3m (2018/19: £54.0m). This is because of the impact of actuarial assumptions. The pension liability has a significant effect on the net worth of the Council. However statutory arrangements for funding the deficit mean the financial position of the Council is not affected. Detailed information on the performance of the Pension Fund is set out in the Core Financial Statements.

The Triennial pension valuation took place in November 2019 and the Council's pension contributions for 2020/21 onwards have been adjusted to reflect the changes. The employer's contribution in 2019/20 remained 18.5% with a lump sum payment of £1.422m.

Narrative Statement

Introduction to the Statement of Accounts

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

Core Financial Statements

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

Narrative Statement

Supplementary Statements

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

Other Statements

- **Statement of Responsibilities for the Statement of Accounts** – this outlines the responsibilities of the Council and the Deputy Chief Executive (Finance and Legal) with respect to the Statement of Accounts.
- **The Auditor's Statement** – this is the independent Auditor's report to members of the Council including the Conclusion on Arrangements for Securing Economy, Efficiency and Effectiveness in the use of resources. This Statement will be included on completion of the audit in the audited, approved Statement of Accounts to be published before the 30 November 2020.
- **The Annual Governance Statement** – this gives a public assurance that the Council has proper arrangements in place to manage its affairs. It summarises the Council's responsibilities in the conduct of its business, the purpose and key elements of the system of internal control and the processes applied in maintaining, reviewing and developing the effectiveness of those controls.

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

Narrative Statement

Accounting Policies

The Council's Accounting Policies follow the Core Financial Statements below and there has been one change during the year regarding Capitalisation of Borrowing Costs.

About this Statement of Accounts

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

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

The first is the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (The Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code constitutes a "proper accounting practice" under the terms of Section 21(2) of the Local Government Act 2003.

The second is the Service Reporting Code of Practice for Local Authorities 2019/20, supported by International Financial Reporting Standards. In England and Wales, The Code constitutes a "proper accounting practice" under the terms of Section 21(2) of the Local Government Act 2003.

Glossary of Terms

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

Further information

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

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

Statement of Responsibilities

The Authority's responsibilities

The Authority is required to:

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

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

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

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

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

Certification of the Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at 31 March 2020 and of its expenditure and income for the year then ended.



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

Date: 31st July 2020

Movements in Reserves Statement

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

2019/2020	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2019	(3,648)	(5,212)	(4,451)	(581)	(6,363)	(10,624)	(741)	(31,620)	(530,450)	(562,070)
Movement in reserves during 2019/20										
Total Comprehensive Income and Expenditure	7,070		7,392		-	-	-	14,462	(30,548)	(16,086)
Adjustments between accounting basis & funding basis under regulations (note 8)	(9,097)		(11,996)		3,351	6,205	(1,064)	(12,601)	12,601	-
Transfers to/from earmarked Reserves (note 9)	2,287	(2,287)	-	-	-	-	-	-	-	-
Net (Increase)/Decrease in 2019/20	260	(2,287)	(4,604)	-	3,351	6,205	(1,064)	1,861	(17,947)	(16,086)
Balance at 31 March 2020	(3,388)	(7,499)	(9,055)	(581)	(3,012)	(4,419)	(1,805)	(29,759)	(548,397)	(578,156)

Movements in Reserves Statement

2018/2019	General Fund	Earmarked	Housing	Earmarked	Capital	Major	Capital	Total Usable	Unusable	Total Council
	Balance	General Fund	Revenue	HRA	Receipts	Repairs	grants			
		Reserves	Account	Reserves	Reserve	Reserve	Unapplied	Reserves	Reserves	Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2018	(4,560)	(3,985)	(7,309)	(581)	(12,915)	(6,534)	(335)	(36,221)	(543,242)	(579,464)
Movement in reserves during 2018/19										
Total Comprehensive Income and ...	4,434		(2,751)		-	-	-	1,683	15,707	17,390
Adjustments between accounting basis & funding basis under regulations (note 8)	(4,749)		5,608		6,552	(4,090)	(406)	2,915	(2,915)	-
Transfers to/from earmarked Reserves (note 9)	1,227	(1,227)	-	-	-	-	-	-	-	-
Net (Increase)/Decrease in 2018/19	912	(1,227)	2,857	-	6,552	(4,090)	(406)	4,598	12,792	17,390
Balance at 31 March 2019 carried forward	(3,648)	(5,212)	(4,451)	(581)	(6,363)	(10,624)	(741)	(31,623)	(530,450)	(562,074)

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

Comprehensive Income and Expenditure Statement

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

The Service breakdown in the Costs of Service in the Comprehensive Income and Expenditure statement has been regrouped to follow the Council's reporting framework rather than following CIPFA Service Reporting Code of Practice (SeRCOP) categories. This is required in the updated code. No other changes were made in the restated accounts.

2018/2019				2019/2020		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
			Service Segments			
2,341	(177)	2,164	Chief Executive and Policy	2,298	(170)	2,128
3,350	(798)	2,552	Finance and Legal	2,537	(827)	1,710
14,247	(7,409)	6,838	Community Services	14,961	(7,630)	7,331
6,422	(2,486)	3,936	Commercial and Development Services	8,056	(2,689)	5,367
831	(134)	697	Corporate Services	894	(187)	707
4,502	(2,021)	2,481	Planning and Building Control	4,628	(2,482)	2,146
			Housing Services			
31,463	(29,897)	1,566	General Fund Housing (i)	28,483	(26,679)	1,804
18,603	(28,215)	(9,612)	Housing Revenue Account (ii)	30,021	(28,523)	1,498
81,759	(71,137)	10,622	Cost of Services (iii)	91,878	(69,187)	22,691
		5,341	Other operating expenditure	note 10		5,756
		6,173	Financing and investment income and expenditure	note 11		6,213
		(20,454)	Taxation and non-specific grant income	note 12		(20,197)
		1,682	(Surplus)/deficit on Provision of Services			14,463
		11,800	(Surplus)/Deficit on revaluation of property, plant and equipment assets	note 23.1		(15,015)
		3,907	Actuarial (gains)/losses on pension	note 38		(15,533)
		15,707	Other Comprehensive Income and Expenditure			(30,548)
		17,389	Total Comprehensive Income and Expenditure			(16,085)

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

Balance Sheet as at 31 March 2020

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

31 March 2019 £'000		Note	31 March 2020 £'000
778,165	Property Plant and Equipment	13	796,065
6,123	Heritage Assets	14	6,263
7,491	Investment Properties	15	7,377
219	Intangible Assets		262
563	Long term debtors	16	387
792,561	Long Term Assets		810,354
9,982	Assets Held for Sale	17	6,670
-	Short Term Investments	18	4,500
101	Inventories		76
8,194	Short Term Debtors	18	9,112
3,355	Cash and Cash Equivalents	19	6,062
21,632	Current Assets		26,420
(19,000)	Short Term Borrowing	16	(9,000)
(15,765)	Short Term Creditors	20	(15,639)
(2,169)	Short term provisions	21.1	(1,347)
(36,934)	Current Liabilities		(25,986)
(54,040)	Pension Liability	38	(41,283)
(158,416)	Long term borrowing	16	(188,116)
(1,495)	Other Long term Liabilities and Provisions	21	(1,924)
(1,236)	Capital Grants Receipts in Advance	33	(1,309)
(215,187)	Long Term Liabilities		(232,632)
562,072	Net Assets		578,156
(31,621)	Usable Reserves	22	(29,759)
(530,451)	Unusable reserves	23	(548,397)
(562,072)	Total reserves		(578,156)



C O'Callaghan
Deputy Chief Executive (Finance & Legal)

Date: 31st July 2020

Cash Flow Statement

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

2018/2019 £'000		Notes	2019/2020 £'000
(1,682)	Net surplus or (deficit) on the provision of services		(14,476)
25,054	Adjustment to net surplus or deficit on the provision of services for non-cash movements	24	34,406
(8,010)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	25	(8,458)
15,362	Net cash flows from Operating Activities		11,472
(21,913)	Investing Activities	26	(25,027)
(570)	Financing Activities	27	16,262
(7,121)	Net increase or decrease in cash and cash equivalents		2,707
10,476	Cash and cash equivalents at the beginning of the reporting period		3,355
3,355	Cash and cash equivalents at the end of the reporting period		6,062

Notes to the Accounts

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

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

1. Accounting Policies

1.1 General Policies

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

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

1.2 Accruals of Income and Expenditure

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

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

Notes to the Accounts

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

1.3 Principal and Agent accounting policy

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

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

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

1.4 Cash and Cash Equivalents

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

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

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

Notes to the Accounts

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

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

1.6 Charges to Revenue for Non-Current Assets

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

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

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

1.7 Employee Benefits

1.7a Benefits Payable During Employment

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

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

Notes to the Accounts

1.7b Termination Benefits

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

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

1.7c Post Employment Benefits

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

The Local Government Pension Scheme

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

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

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

- Service Cost comprising:
 - Current service costs – increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employee worked.
 - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service in earlier years – debited to the Surplus or

Notes to the Accounts

Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs;

- Net interest on the net defined benefit liability, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Notes to the Accounts

- Remeasurements comprising:
 - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- Contributions paid to the Hertfordshire pension fund – cash paid as employer's contributions to the Local Government Pension Scheme.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pensions Reserves to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being able to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

1.8 Events after the Balance Sheet date

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

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

Notes to the Accounts

1.9 Financial Instruments

1.9a Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure Line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. The effective rate of interest is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For all of the Council's borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. The full implementation of IFRS 9 – Financial Instruments in 2019/20 has meant no change from IAS 39.

1.9b Financial Assets

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

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

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

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

Notes to the Accounts

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

The Impairment Loss Allowance movement calculation for Trade Debtors during 2019/20 can be seen in the Credit Risk section of Note 38.

1.10 Government Grants and Contributions

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

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

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

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

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

1.11 Heritage Assets

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

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

- Land and buildings
- Artefacts

Notes to the Accounts

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

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

1.11a Land and Buildings

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

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

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

1.11b Artefacts

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

1.11c Sculptures and War Memorials

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

1.11d Civic Regalia and Chains of Office

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

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

1.11e Ancient Walls and Ruins

Notes to the Accounts

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

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

1.12 Investment Property

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

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

Rentals received in relation to Investment Properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

1.13 Jointly Controlled Operations and Jointly Controlled Assets

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

1.14 Leases

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

Notes to the Accounts

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

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

1.14a The Council as Lessee

Operating Leases

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

1.14b The Council as Lessor

Operating Leases

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

1.15 Overheads and Support Services

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

1.16 Property, Plant and Equipment

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

Notes to the Accounts

1.16a Recognition

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

1.16b Measurement

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

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

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

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or

Notes to the Accounts

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

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

1.16c *Impairment*

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

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

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

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

1.16d *Depreciation*

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

Depreciation is calculated on the following bases:

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

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

Notes to the Accounts

Depreciation is not charged in the year of acquisition.

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

1.16e Disposals and Non-Current Assets Held for Sale

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

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

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

Amounts received for a disposal in excess of £10k are categorised as capital receipts. A proportion of receipts relating to housing disposals are payable to the Government. The balance of receipts is credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Notes to the Accounts

1.17 Provisions

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

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the estimation of likely settlement as at the Balance Sheet date. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year; where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service account.

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

1.18 Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in Note 37.

1.19 Reserves

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

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

Notes to the Accounts

1.20 Revenue Expenditure Funded from Capital under Statute

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

1.21 Value Added Tax (VAT)

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

1.22 Borrowing Costs

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

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

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

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

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

Notes to the Accounts

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

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

The standards that may be relevant for additional disclosures that will be required in the 2019/20 and 2020/21 financial statements in respect of accounting changes that are introduced in the 2020/21 Code (ie that are relevant to the requirements of paragraph 3.3.4.3 of the Code) are:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

The deferral of implementation of IFRS 16 to the 2021/22 Code has meant that the 2020/21 Code has not yet completed its full due process. Annually, Appendix C of the Code confirms the requirements of accounting standards that have been issued and not yet adopted and the 2020/21 Code will confirm these for the 2019/20 financial year. Appendix C of the 2020/21 Code only includes standards adopted in the Code and therefore for 2019/20 local authorities are not required to include IFRS 16 in their consideration of accounting standards that have been issued but not yet adopted, although this is subject to approval of the 2020/21 Code.

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

3. Critical Judgements in applying Accounting Policies

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

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

Notes to the Accounts

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

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

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

Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The Council has a programme of capital work of around £9.4m per year on the housing stock, and undertakes major repairs and maintenance which will be able to sustain assumptions made regarding the useful lives assigned to assets.

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

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

If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that if the annual depreciation charge for assets were to increase by 1% the extra charge would amount to £112k (2018/19: £110k)

Pensions liability

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

The effects on the net pension's liability of changes in individual assumptions cannot be precisely calculated. The assumptions interact in complex ways. During 2019/20, the Council's actuaries advised that the net pensions liability had decreased by £12.7m to £41.2m (2018/19 £54.0m).

Notes to the Accounts

Business rates appeals provision

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2019/20 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses may have been overcharged up to 31 March 2020. It is unknown how many of the outstanding appeals will be successful, though estimation techniques have been applied to the outstanding appeals using historic success rate data and the latest Valuation Office (VAO) ratings list of appeals. In addition an amount for appeals which have not yet been lodged relating to the 2018 revaluation has been estimated. The total provision for appeals is £8.529m (2018/19 £8.403m) and the Council's share held in the Balance Sheet is £2.985m (2018/19 £3.361m). The increase in total provision from last year is £0.126m.

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

Sundry Debtor Arrears

At 31 March 2020, the Council had a sundry debtor balance of £2.880m (2018/19: £3.374m). A review of significant balances using historic write off rates suggested that a 20.6% (2018/19: 17.4%) impairment allowance for doubtful debts of £0.592m (2018/19: £0.585m) was appropriate.

If collection rates were to deteriorate, an increase in the impairment allowance for doubtful debts would be required. To provide in full for sundry debtors more than two months overdue would require an additional £1.3m to be set aside as a provision.

Fair Value measurement

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

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

Notes to the Accounts

5. Material items of income and expenditure

5.1 Pension Fund Actuarial Change

The Pension Fund Actuary has reported an actuarial gain of 2019/20 of £12.8m (2018/19 £6.6m loss), reducing the pension fund deficit to £41.3m. This is reported as a gain on the Comprehensive Income and Expenditure Statement, and subsequently adjusted (in accordance with proper practice) via the Movement in Reserves Statement to ensure it has no General Fund Balance implications.

6. Events after the Balance Sheet date

The Statement of Accounts was certified for issue by the Deputy Chief Executive (Finance and Legal) on 31st July 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. No events leading to adjustments have occurred as of 31st July 2020.

Notes to the Accounts

7. Expenditure and Funding Analysis

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

Expenditure and Funding Analysis 2019/20	Net Expenditure Chargeable to the General Fund Balance	Net Expenditure Chargeable to the HRA Balance	Adjustments relating to internal management reporting	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Chief Executive and Policy	2,019	-	-	(109)	2,128
Finance and Legal	3,557	-	2,039	(192)	1,710
Community Services	5,839	-	218	(1,711)	7,331
Commercial & Development	880	-	(161)	(4,326)	5,367
Corporate Services	433	-	-	(274)	707
Planning & Building Control	1,889	-	-	(257)	2,146
Housing General Fund	949	-	-	(855)	1,804
Housing Revenue Account	-	(4,426)	5,288	(11,213)	1,498
Net Cost of Services	15,567	(4,426)	7,385	(18,935)	22,691
Other Income and Expenditure	6,054	(8,025)	(4,812)	(2,915)	5,756
Financing & Investment Income and Expenditure	(3,853)	5,418	(2,573)	(2,076)	6,213
Taxation and other non-specific grant income and expenditure	(19,792)	2,429		2,834	(20,197)
Deficit/(surplus) on Provision of Services	(2,025)	(4,604)	-	(21,093)	14,463
	General Fund	HRA	Total		
Opening General Fund and HRA Balances	(8,862)	(5,032)	(13,894)		
Less/plus surplus or deficit on General Fund and HRA Balance in year	(2,025)	(4,604)	(6,629)		
Closing General Fund and HRA Balances at 31 March	(10,887)	(9,636)	(20,523)		

Notes to the Accounts

Expenditure and Funding Analysis 2018/19	Net Expenditure Chargeable to the General Fund Balance	Net Expenditure Chargeable to the HRA Balance	Adjustments relating to internal management reporting	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Chief Executive and Policy	2,094	-	11	(81)	2,164
Finance and Legal	3,246	-	1,407	(713)	2,552
Community Services	5,518	-	197	(1,517)	6,838
Commercial & Development	917	-	40	(3,059)	3,936
Corporate Services	409	-	-	(288)	697
Planning & Building Control	2,314	-	-	(167)	2,481
Housing General Fund	718	-	-	(848)	1,566
Housing Revenue Account	-	(5,005)	4,961	(354)	(9,612)
Net Cost of Services	15,216	(5,005)	6,616	(7,027)	10,622
Other Income and Expenditure	3,167	(4,994)	(4,994)	(2,174)	5,341
Financing & Investment Income and Expenditure	(518)	12,859	(1,622)	7,789	6,173
Taxation and other non-specific grant income and expenditure	(18,181)	-	-	2,273	(20,454)
Deficit/(surplus) on Provision of Services	(316)	2,860	-	861	1,682
	General Fund	HRA	Total		
Opening General Fund and HRA Balances	(8,546)	(7,892)	(16,438)		
Less/plus surplus or deficit on General Fund and HRA Balance in year	(316)	2,860	2,544		
Closing General Fund and HRA Balances at 31 March	(8,862)	(5,032)	(13,894)		

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

Notes to the Accounts

7.a Adjustments between the Funding and Accounting Basis

2019/20	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Total Adjustments
Adjustments from General Fund and HRA to arrive at the Comprehensive Income and Expenditure Statement amounts	£000's	£000's	£000's	£000's
The Chief Executive	(4)	(105)	-	(109)
Deputy Chief Executive-Finance	(13)	(179)	-	(192)
Head of Community Services	(1,499)	(212)	-	(1,711)
Head Commercial & Development	(4,123)	(202)	-	(4,326)
Head of Corporate Services	(79)	(195)	-	(274)
Head of Planning/Build Control	(14)	(243)	-	(257)
Head of Housing	(757)	(98)	-	(855)
Head of Housing (HRA)	(11,017)	(195)	-	(11,213)
Net Cost of Services adjustments	(17,506)	(1,429)	-	(18,935)
Other Income and Expenditure	(1,981)	-	(934)	(2,915)
Financing & Investment Income and Expenditure	729.54	(1,347)	-	(2,076)
Taxation and other non-specific grant income and expenditure	5,041	-	(2,190)	2,852
Difference between General Fund and HRA surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(15,176)	(2,776)	(3,124)	(21,075)

Notes to the Accounts

2018/19				
Adjustments from General Fund and HRA to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Total Adjustments
	£000's	£000's	£000's	£000's
Chief Executive and Policy	(9)	(72)	-	(81)
Legal and Finance	(13)	(700)	-	(713)
Community Services	(1,409)	(108)	-	(1,517)
Commercial & Development	(2,938)	(121)	-	(3,059)
Corporate Services	(174)	(114)	-	(288)
Planning & Building Control	(14)	(153)	-	(167)
Housing General Fund	(792)	(56)	-	(848)
Housing Revenue Account	(221)	(133)	-	(354)
Net Cost of Services adjustments	(5,570)	(1,457)	-	(7,027)
Other Income and Expenditure	(2,174)	-	-	(2,174)
Financing & Investment Income and Expenditure	9,058	(1,269)	-	7,789
Taxation and other non-specific grant income and expenditure	2,988	-	(715)	2,273
Difference between General Fund and HRA surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	4,302	(2,726)	(715)	861

Explanation of adjustments

i. Adjustments for Capital Purposes

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

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

Notes to the Accounts

ii. Net Change for the Pension Adjustments

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

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

iii. Other Differences

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

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

7.b Adjustments Relating to Internal Management Reporting

Information presented to management is in a format to enable a quick and easy assessment of performance against the approved budget. There are a number of items that are reported to management as part of their service income and expenditure that are not included in Service Expenditure in the Comprehensive Income and Expenditure Statement (as required by generally accepted accounting practice). These are interest, Minimum Revenue Provision (MRP) and Revenue Contribution to Capital Outlay (RCCO). The adjustments for 2019/20, which enable reconciliation of the Net Expenditure Chargeable to the General Fund and HRA Balances for Service Headings to the outturn reports included in the narrative, are shown below.

Notes to the Accounts

Adjustments Relating to Internal Management Reporting	Interest £'000	MRP £'000	RCCO £'000	Trading	Total £'000
				Accounts £'000	
2019/20					
The Chief Executive	-	-	-	-	-
Deputy Chief Executive-Finance	24	1,574	441	-	2,039
Head of Community Services	-	-	-	218	218
Head Commercial & Development	-	-	-	(161)	(161)
Head of Corporate Services	-	-	-	-	-
Head of Planning/Build Control	-	-	-	-	-
Head of Housing	-	-	-	-	-
GF Total	24	1,574	441	57	2,096
Head of Housing (HRA)	4,788	-	501	-	5,288

Adjustments Relating to Internal Management Reporting	Interest £'000	MRP £'000	RCCO £'000	Trading	Total £'000
				Accounts £'000	
2018/19					
The Chief Executive	-	-	11	-	11
Deputy Chief Executive-Finance	33	1,374	-	-	1,407
Head of Community Services	-	-	17	180	197
Head Commercial & Development	-	-	330	(291)	40
Head of Corporate Services	-	-	-	-	-
Head of Planning/Build Control	-	-	-	-	-
Head of Housing	-	-	-	-	-
GF Total	33	1,374	358	(111)	1,654
Head of Housing (HRA)	4,961	-	-	-	4,961

Notes to the Accounts

7.c Segmental Income

2018/19 £'000		2019/20 £'000
	Services	
(1,158)	The Chief Executive	(1,132)
(10,459)	Head of Community Services	(9,724)
(4,121)	Head Commercial & Development	(4,619)
(3,862)	Head of Corporate Services	(4,005)
(3,423)	Deputy Chief Executive-Finance	(3,767)
(30,045)	Head of Housing	(26,980)
(28,215)	Head of Housing (HRA)	(28,576)
(2,947)	Head of Planning/Build Control	(3,289)
(84,230)	Total Income analysed on a segmental basis	(82,092)
(22,052)	Non-segmental	(24,611)
(106,282)	Total Income	(106,703)

Notes to the Accounts

7.d Expenditure and Income analysed by Nature

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

2018/19 £'000		2019/20 £'000
	Expenditure/Income	
	Expenditure	
18,519	Employee benefits expenses	19,672
51,912	Other Service Expenses	49,682
13,267	Support Service recharge expenditure	12,704
11,983	Revaluation gains, depreciation, amortisation and impairment	27,173
5,004	Interest payments	4,858
1,845	Pension adjustment	1,332
2,652	Precepts and levies	2,721
934	Payments to Housing Capital Receipts Pool	934
1,848	Gain or Loss on Disposal of Fixed Assets and derecognition of replaced asset components	2,091
107,964	Total expenditure	121,167
	Income	
(40,708)	Fees, charges & other service income	(41,000)
(311)	Other capital receipts and income	(3,232)
(13,112)	Support Service recharge income	(12,893)
(117)	Interest and investment income	(102)
(13,443)	Income from council tax	(13,882)
(1,431)	Income from business rates	(1,133)
(37,160)	Government grants and other contributions	(34,462)
(106,282)	Total Income	(106,703)
1,682	(Gain) or Loss on the Provision of Services	14,464

Notes to the Accounts

8. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

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

General Fund Balance

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

Housing Revenue Account Balance

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

Capital Receipts Reserve

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

Major Repairs Reserve

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

Capital Grants Unapplied

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

Notes to the Accounts

Adjustments between accounting basis and funding basis under regulations	Usable reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
2019/2020						
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension Costs (transferred to/(from) the Pensions Reserve)	(2,403)	(373)	-	-	-	2,776
Council Tax and NDR (transfers to/(from) the Collection Fund Adjustment Account)	(2,190)	-	-	-	-	2,190
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(8,708)	(23,501)	-	-	(1,314)	33,523
						-
Total Adjustments to Revenue Resources	(13,301)	(23,874)	-	-	(1,314)	38,489
						-
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sales proceeds from revenue to the Capital Receipts Reserve	-	4,005	(4,005)	-	-	-
Administration costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(20)	20	-	-	-
Payments to the government of housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(934)	-	934	-	-	-
Posting of HRA resources from revenue to Major Repairs Reserve	-	383	-	(383)	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1,574	7,000	-	-	-	(8,574)
Other capital receipts taken to the CI&ES	3,123	9	(3,132)	-	-	-
GF Asset Disposal NBV (transfer to Capital Adjustment Account)	-	-	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	441	501	-	-	-	(942)
						-
Total Adjustments between Revenue and Capital Resources	4,204	11,878	(6,183)	(383)	-	(9,516)
						-
Adjustments to Capital Resources						
Use of Capital Receipts Reserve to finance capital expenditure	-	-	9,537	-	-	(9,537)
Use of Major Repairs Reserve to finance capital expenditure	-	-	-	6,588	-	(6,588)
Application of capital grants to finance capital expenditure	-	-	-	-	250	(250)
Cash payments in relation to deferred capital receipts	-	-	(3)	-	-	3
						-
Total Adjustments to Capital Resources	-	-	9,534	6,588	250	(16,372)
						-
Total Adjustments	(9,097)	(11,996)	3,351	6,205	(1,064)	12,601

Notes to the Accounts

Adjustments between accounting basis and funding basis under regulations	Usable reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
2017/2018						
Adjustments to the Revenue Reserves						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension Costs (transferred to/(from) the Pensions Reserve)	(1,918)	(334)	-	-	-	2,252
Council Tax and NDR (transfers to/(from) the Collection Fund Adjustment Account)	961	-	-	-	-	(961)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(1,461)	(17,282)	-	-	(23)	18,766
Total Adjustments to Revenue Resources	(2,418)	(17,616)	-	-	(23)	20,057
						-
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sales proceeds from revenue to Capital Receipts Reserve	-	4,729	(4,729)	-	-	-
Administration costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(26)	26	-	-	-
Payments to the government of housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1,138)	-	1,138	-	-	-
Posting of HRA resources from revenue to Major Repairs Reserve	-	7,468	-	(7,468)	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1,701	7,000	-	-	-	(8,701)
Other capital receipts taken to the CI&ES	109	69	(178)	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	279	(1,800)	-	-	-	1,521
Total Adjustments between Revenue and Capital Resources	951	17,440	(3,743)	(7,468)	-	(7,180)
						-
Adjustments to Capital Resources						
Use of Capital Receipts Reserve to finance capital expenditure	-	-	6,499	-	-	(6,499)
Use of Major Repairs Reserve to finance capital expenditure	-	-	-	6,052	-	(6,052)
Application of capital grants to finance capital expenditure	-	-	-	-	271	(271)
Cash payments in relation to deferred capital receipts	-	-	(27)	-	-	27
Total Adjustments to Capital Resources	-	-	6,472	6,052	271	(12,795)
Total Adjustments	(1,467)	(176)	2,729	(1,416)	248	82

Notes to the Accounts

9. Transfers To/From Earmarked Reserves

This note sets out the amounts set aside from the General Fund and Housing Revenue Account balances to earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and Housing Revenue Account Expenditure in 2019/20.

	Balance at 31 March 2018 £'000 *restated	Transfers Out 2018/19 £'000	Transfers In 2018/19 £'000	Balance at 31 March 2019 £'000	Transfers out 2019/20 £'000	Transfers In 2019/20 £'000	Balance at 31 March 2020 £'000
General Fund							
Planning appeals reserve (1)	656	(86)	-	570	(101)	-	469
Collection Fund Equalisation Account (2)	1,418	-	656	2,074	-	2,207	4,281
Westminster Lodge capital reserve	361	(361)	-	-	-	-	-
Leisure SDA	177	-	82	259	(17)	-	242
Building maintenance reserve	88	(52)	200	236	(115)	-	121
City Neighbourhoods Committee	184	-	71	255	(25)	-	230
Building control account	-	-	-	-	-	-	-
Syrian Refugees	190	-	84	274	-	14	288
Homelessness Reduction (FHSG)	209	(13)	-	196	-	102	298
Refuse collection reserve	100	-	50	150	-	50	200
Transformation Fund	-	(137)	500	363	(312)	-	51
Hemel Garden Community Museum Trust grant	-	-	-	-	-	279	279
Other Reserves Under £100k	602	(118)	351	835	(173)	184	184
General Fund sub-total	3,985	(767)	1,994	5,212	(743)	3,030	7,499
HRA							
Revenue earmarked reserve	-	-	-	-	-	-	-
Capital expenditure reserve	581	-	-	581	-	-	581
HRA sub-total	581	-	-	581	-	-	581
Total	4,566	(767)	1,994	5,793	(743)	3,030	8,080

1. The Council does not budget for the cost of planning appeals but rather maintains an earmarked reserve to cover the costs of possible future appeals.
2. The Collection Fund Equalisation Account is equal but opposite to the business rate proportion of the Collection Fund Adjustment Account (in unusable reserves). It ensures that the General Fund Balance does not reflect past over distributions from the Collection Fund. It will be released to the General Fund Balance over following years, in line with adjustments to the Collection fund Adjustment Account, as Collection Fund distributions take account of the current deficit on the business rates Collection Fund Account.

Notes to the Accounts

10. Other Operating Expenditure

2018/2019 £'000		2019/2020 £'000
2,652	Parish Council Precepts	2,721
934	Payments to the Government Housing Capital Receipts Pool	934
(1,203)	(Gains)/losses on the disposal of non-current assets	(2,252)
3,050	Write-off of replaced asset components *	4,343
219	Revaluation of Assets held for sale	3,243
(311)	Other Capital receipts and income	(3,233)
5,341		5,756

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

11. Financing and Investment Income and Expenditure

2018/2019 £'000		2019/2020 £'000
5,004	Interest payable and similar charges	4,802
1,251	Net interest on the net defined benefit liability	1,317
(114)	Interest receivable and similar income	(46)
51	Changes in fair value of investment properties	114
79	Impairments to financial assets incl reversals	59
(98)	(Surplus)/deficit from trading operations not included in Net Cost of Services	(33)
6,173		6,213

Notes to the Accounts

12. Taxation and Non-Specific Grant Income

2018/2019 £'000		2019/2020 £'000
	Council Tax	
(13,301)	Council Tax Income	(13,708)
(142)	Transfer from the Collection Fund	(174)
(13,443)	Council Tax net	(13,882)
	Business Rates	
(23,087)	Share of Business Rate income	(22,298)
22,454	Tariff paid to central government	19,787
0	Business Rates Pilot Gain	(615)
864	Council's share of Business Rates deficit	1,992
(1,662)	Safety net payment due to/(from) central government	1
(1,431)	Business Rates net income	(1,133)
	Non-specific Grants	
(1,114)	Small Business Rate relief	(1,773)
(1,353)	New Homes Bonus	(1,077)
(17)	EU Exit Funding	(8)
(3,096)	Capital grants and contributions	(2,324)
(5,580)	Non-specific Grants sub-total	(5,182)
(20,454)	Total	(20,197)

Notes to the Accounts

13. Property, Plant and Equipment

Movement on Balances

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

PPE Movements 2019/20	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Furniture & Equipment £'000	Infrastructure £'000	Asset Under Construction £'000	Property, Plant & Equipment Total £'000
Cost or Valuation						
At 1 April 2019	551,762	214,054	16,536	2,918	18,313	803,583
Transfers	(58)	58	-	-	-	-
Additions	12,605	374	977	9	18,683	32,648
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,945	962	-	-	-	2,907
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(10,682)	(1,690)	-	-	-	(12,372)
Write off - disposals	(1,120)	(281)	-	-	-	(1,401)
Write off - replaced components	(4,343)	-	-	-	-	(4,343)
Assets reclassified (to)/from	-	(5,499)	-	-	5,499	-
Assets reclassified (to)/from assets held for sale	(614)	(128)	-	-	128	(614)
Impairment (losses)/reversals recognised in the surplus/deficit on the Provision of Services	-	-	-	-	-	-
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-	-
At 31 March 2020	549,495	207,850	17,513	2,927	42,623	820,408
Accumulated Depreciation and Impairment						
At 1 April 2019	(7,156)	(7,191)	(9,906)	(1,164)	-	(25,417)
Transfers	8	-	-	-	-	8
Depreciation charge	(7,118)	(2,528)	(1,369)	(201)	-	(11,216)
Depreciation written out to the Revaluation Reserve	7,046	5,074	-	-	-	12,120
Depreciation written out to the Surplus/(Deficit) on the Provision of Services	110	17	-	-	-	127
Write off - disposals	14	19	-	-	-	33
Impairment (losses)/reversals recognised in the Surplus/(Deficit) on the Provision of Services	-	-	-	-	-	-
At 31 March 2020	(7,096)	(4,609)	(11,275)	(1,365)	-	(24,345)
Net Book Value						
At 31 March 2019	544,606	206,863	6,630	1,754	18,313	778,166
At 31 March 2020	542,399	203,241	6,238	1,562	42,623	796,063

Notes to the Accounts

PPE Movements 2018/19	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Furniture & Equipment £'000	Infrastructure £'000	Asset Under Construction £'000	Property, Plant & Equipment Total £'000
Cost or Valuation						
At 1 April 2018	563,515	203,117	15,865	1,828	28,161	812,486
Transfers	-	-	-	-	-	-
Additions	7,748	269	671	92	18,929	27,709
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(28,051)	3,399	-	-	-	(24,652)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(412)	(309)	-	-	-	(721)
Write off - disposals	(1,820)	(165)	-	-	-	(1,985)
Write off - replaced components	(3,050)	-	-	-	-	(3,050)
Assets reclassified to/(from)	-	8,012	-	997	(14,778)	(5,769)
Assets reclassified to/(from) assets held for sale	13,833	(269)	-	-	(14,000)	(436)
Impairment (losses)/reversals recognised in the surplus/deficit on the Provision of Services	-	-	-	-	-	-
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-	-
At 31 March 2019	551,763	214,054	16,536	2,917	18,312	803,582
Accumulated Depreciation and Impairment						
At 1 April 2018	(7,203)	(5,943)	(8,595)	(1,065)	-	(22,806)
Transfers	(1)	10	-	-	-	9
Depreciation charge	(7,188)	(2,380)	(1,312)	(99)	-	(10,979)
Depreciation written out to the Revaluation Reserve	7,163	1,038	-	-	-	8,201
Depreciation written out to the Surplus/(Deficit) on the Provision of Services	39	70	-	-	-	109
Write off - disposals	34	15	-	-	-	49
Impairment (losses)/reversals recognised in the Surplus/(Deficit) on the Provision of Services	-	-	-	-	-	-
At 31 March 2019	(7,156)	(7,190)	(9,907)	(1,164)	-	(25,417)
Net Book Value						
At 31 March 2018	556,312	197,174	7,270	763	28,161	789,680
At 31 March 2019	544,607	206,864	6,629	1,753	18,312	778,165

Notes to the Accounts

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation. HRA dwellings are classified into type and size of building. The components were reviewed and updated during 2014/15, they remained unchanged for 2019/20.

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

Capital Commitments

As at 31 March 2020, the Council has entered into a number of contracts for the construction and enhancement of Property, Plant and Equipment at a cost of £15.9m. Similar commitments as at 31 March 2019 were £4.9m.

Revaluations

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

The significant assumptions in estimating the fair values are:

- a) Title – that the title is good and marketable and is free from rights of way or easements, restrictive covenants, disputes or onerous usual outgoing.
- b) Environmental Matters – that the land and building comprising the property subject to the valuation, are not affected by any form of pollution, contamination or adverse environmental matters.
- c) Plant and Machinery – any that has been considered to form part of the property is included in the variation.
- d) Statutory Requirements – that the property valued complies with all necessary statutory requirements such as the Defensive Premises Act 1972, building and fire regulations and there are no outstanding notices.
- e) Realisation Cost – no allowance has been made for the vendor's sale nor for any tax liabilities which may arise.

Notes to the Accounts

The Code prescribes that the classes of Property, Plant and Equipment shown in the following table are revalued at least once every five years. The table shows the carrying value of each class of asset in the accounts by year of valuation. In accordance with the Council's policy, depreciated historic cost is used as a proxy for fair value for Vehicles and Plant on the grounds of materiality. In view of the materiality to the accounts and material changes in value from year to year, council dwellings are revalued annually. Assets Held for Sale (AHfS) until sold remain SADC owned council Dwellings or Other Land and Buildings. Accordingly, we consider it useful to include HRA AHfS of £0.6m and GF AHfS of £6.1m in the table below according to their last dates of revaluation.

Year of valuation of value in accounts	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles and Plant £'000	Total £'000
Valued at historical Cost	-	-	6,238	6,238
Valued at current value in:				
2015/16	-	21,093	-	21,093
2016/17	-	22,354	-	22,354
2017/18	-	9,913	-	9,913
2018/19	534,139	155,823	-	689,962
2019/20	8,868	122	-	8,989
Total	543,007	209,305	6,238	758,549

14. Heritage Assets

31 March 2019 £'000	Heritage Assets	31 March 2020 £'000
4,586	Exhibits	4,691
355	Silver	363
159	Civic Regalia	162
564	Cups and Trophies	575
37	Sculptures	38
422	War Memorials	434
6,123	Carrying Value	6,263

Notes to the Accounts

15. Investment Properties

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

2018/2019 £'000		2019/2020 £'000
(589)	Rental income from investment property	(597)
76	Direct operating expenses arising from investment property	93
(513)	Net (gain)/loss	(504)

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

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

2018/19 £'000		2019/20 £'000
7,542	Balance at start of year:	7,491
-	- Reclassification	-
(51)	Revaluation	(114)
7,491	Balance at end of the year	7,377

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

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

Notes to the Accounts

2018/19 Recurring fair value measurements using:	Other significant observable inputs (Level 2)	Fair value as at 31st March 2019
	£000	£000
Office Units	655	655
Retail Units	4,233	4,233
Recreational	2,603	2,603
Total	7,491	7,491

Investment Properties are valued at fair value as at 31 March 2020. Analysis of the relevant valuation techniques classifies these assets as level 2 of the IFRS 13 Fair Value calculation.

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

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

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

Notes to the Accounts

16. Financial Instruments

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

Categories of Financial Instruments

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

	Long-Term		Current	
	At 31 March 2020	At 31 March 2019	At 31 March 2020	At 31 March 2019
	£'000	£'000	£'000	£'000
Investments				
Cash and Cash Equivalents at amortised cost	-	-	10,559	3,352
Total investments	-	-	10,559	3,352
Debtors				
Financial assets at amortised cost	388	563	4,442	4,735
Impairment Loss Allowance	-	-	(951)	(760)
Borrowings				
Financial liabilities at amortised cost	(188,116)	(158,416)	(9,000)	(19,000)
Creditors				
Financial liabilities carried at contract amounts	(285)	(304)	(9,832)	(11,089)

Notes to the Accounts

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

Financial Liabilities: measured at amortised cost	Financial Assets: loans and receivables	2018/2019 Total		Financial Liabilities: measured at amortised cost	Financial Assets: loans and receivables	2019/2020 Total
£'000	£'000	£'000		£'000	£'000	£'000
5,004	-	5,004	Total interest expense in the Surplus or Deficit on the Provision of Services	4,802	-	4,802
-	(114)	(114)	Total interest income in the Surplus or Deficit on the Provision of Services	-	(46)	(46)
5,004	(114)	4,890	Net (gain)/loss for the year in Surplus or Deficit on the Provision of Services	4,802	(46)	4,756

Fair Value of Assets and Liabilities

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

- Estimated ranges of interest rates at 31 March 2020 of 1.9% to 2.34% for loans from the Public Works Loan Board (PLWB) based on new lending rates for equivalent loans at that date.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next twelve months, carrying amount is assumed to approximate to fair value.
- The fair value of trade or other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Notes to the Accounts

Financial Assets

31 March 2019			31 March 2020	
Carrying amount	Fair Value		Carrying amount	Fair Value
£'000	£'000		£'000	£'000
3,355	3,355	Cash	6,062	6,062
-	-	Fixed term deposits	4,500	4,500

Financial Liabilities

31 March 2019			31 March 2020	
Carrying amount	Fair Value		Carrying amount	Fair Value
£'000	£'000		£'000	£'000
165,416	179,573	Public Works Loan Board loans	197,116	206,447
12,000	12,001	Other Local Authorities	-	-

The fair value of liabilities is higher than the carrying amount because the Council's portfolio of loans is made up of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to the PWLB above current market rates. However, we expect interest rates to rise over the remaining life of the loans and if they do, the loans' fair value will decrease by their maturity point, meaning that the notional loss shown here will not be realised.

Notes to the Accounts

17. Assets Held for Sale

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

2018/19 £'000		2019/20 £'000
1,202	Balance at start of year	9,982
(1,509)	Assets sold in year	(4,045)
(220)	Assets reclassified out as unsold	-
	Assets newly classified as held for sale:	
10,509	Property, Plant & Equipment	733
9,982	Balance at Year End	6,670

Assets Held for Sale are valued at Fair Value as at 31 March 2020. Analysis of the relevant valuation techniques classifies these assets as Level 2 (see Note 15).

Notes to the Accounts

18. Short Term Debtors

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

At 31 March 2019 £'000		At 31 March 2020 £'000
1,813	Central Government Bodies	2,976
20	Other Local Authorities	353
	Other entities and Individuals:	
1,324	Housing Rents arrears	1,845
(508)	Less Impairment Allowance	(694)
816	Housing arrears net	1,151
1,853	Council Tax and Business Rates	1,862
(861)	Less share of impairment allowances	(974)
992	Council Tax and Business Rates net	888
864	Rent allowances and rebates	1,440
422	Leaseholder rent arrears	283
571	Payments in advance	658
3,322	Other miscellaneous debtors	1,994
(626)	Less Impairment Allowance	(631)
4,553	Other net	3,744
8,194	Total	9,112

19. Cash and Cash Equivalents

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

At 31 March 2019 £'000		At 31 March 2020 £'000
3	Cash held by the Council	3
867	Bank Current Accounts	6,054
2,485	Short-term deposits	5
3,355	Total Cash and Cash equivalents	6,062

Notes to the Accounts

20. Short Term Creditors

At 31 March 2019 £'000		At 31 March 2020 £'000
2,236	Collection Fund	3,820
6,055	Trade Creditors	9,339
6,017	Other Creditors	1,115
1,457	Receipts in advance	1,365
15,765	Total	15,639

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

21.1 Long Term Liabilities

The Council holds deposits for commercial premises. The long-term portion of the deposits amounts to £211k (2018/19 £229k) and relates to leases expiring between 2 and 16 years from the Balance Sheet Date. The remaining £75k relates to One Public Estate funding the Council received this year which is repayable in 4 years' time, so it has been classified as a Long Term liability.

21.2 Provisions

Under the Business Rates Retention Scheme the Council is liable for its share of any business rates that are not collected. All business premises can appeal their valuation, set by the Valuation Office, which is used for setting the level of rates payable. Until the appeal is heard and decided a provision is estimated to cover the possibility of successful appeals. Changes to the provision are charged to the Collection Fund. The following table shows the movement in the Council's 35% share of the provision.

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

Notes to the Accounts

Provisions: Business Rate Appeals	
	£'000
Balance at 1 April 2018	3,263
Additional provisions made	1,960
Amounts used	(1,862)
Balance at 31 March 2019	3,361
Made up of:	
Long Term provisions	1,192
Short Term provisions	2,169

22. Usable Reserves

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

23. Unusable Reserves

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

2018/19		2019/20
£'000		£'000
(380,694)	Revaluation Reserve	(389,626)
(205,565)	Capital Adjustment Account	(204,016)
54,040	Pensions Reserve	41,283
(74)	Deferred Capital Receipts Reserve	(70)
1,842	Collection Fund Adjustment Account	4,032
(530,451)	Total Unusable Reserves	(548,397)

Notes to the Accounts

23.1 Revaluation Reserve

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

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

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

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

2018/19 £'000		2019/20 £'000
(397,461)	Balance at 1 April	(380,694)
11,800	Revaluation (gain)/loss of assets	(15,015)
-	- Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-
11,800	(Surplus)/deficit on revaluation of non-current assets not posted to the Surplus or deficit on the Provision of Services	(15,015)
3,761	Difference between fair value depreciation and historical cost depreciation transferred to the Capital Adjustment Account	3,547
1,206	Accumulated (gains)/losses on assets sold or scrapped	2,537
4,967	Amount written off to the Capital Adjustment Account	6,084
(380,694)	Balance at 31 March	(389,625)

Notes to the Accounts

23.2 Capital Adjustment Account

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

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

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

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

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

2018/19 £'000		2019/20 £'000
14,877	Net written out amount of the cost of non-current assets consumed in the year (per the Capital Adjustment Account)	28,450
3,761	Add back amount transferred to the Revaluation Reserve	3,547
1,202	Add back accumulated gains on assets sold or scrapped	2,536
(2,467)	Less Capital Grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,010)
17,373	Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (per note 8)	33,523

Notes to the Accounts

2018/19	Capital Adjustment Account	2019/20
£'000		£'000
(194,215)	Balance as at 1 April	(205,565)
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>	
10,978	Charges for depreciation and impairment of non current assets	11,217
51	Movements in the market value of Investment Properties debited or credited to the comprehensive Income and Expenditure Statement	114
957	Revaluation losses on Property, Plant and Equipment	12,246
116	Amortisation of Intangibles	91
1,246	Revenue expenditure funded from capital under statute	1,264
6,492	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	9,601
19,840	Sub-total charges	34,533
(3,761)	Difference between fair value depreciation and historical cost depreciation transferred to the Revaluation Reserve	(3,547)
(1,202)	Accumulated gains on assets sold or scrapped	(2,536)
14,877	Net written out amount of the cost of non -current assets consumed in the year	28,450
	<i>Capital Financing applied in the year:</i>	
(10,560)	Use of the Capital Receipts Reserve to finance new capital expenditure	(9,537)
(3,354)	Use of Major Repairs Reserve to finance new capital expenditure	(6,588)
(2,467)	Capital Grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,010)
(114)	Application of grants to capital financing from the Capital Grants Unapplied Account	(250)
(358)	Direct Revenue Financing	(941)
(8,000)	Housing debt repayment provision	(7,000)
(1,374)	Statutory provision for the financing of capital investment charged against the General Fund	(1,574)
(26,227)	Sub-total capital financing	(26,900)
(205,565)	Balance at 31 March	(204,015)

Notes to the Accounts

23.3 Pensions Reserve

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

2018/19 £'000	Pensions Reserve	2019/20 £'000
47,406	Balance at 1 April	54,040
3,907	Remeasurements of the net defined benefit liability	(15,533)
6,131	Reversal of items relating to retirement benefits debited to the Surplus on the Provision of Services in the Comprehensive Income and Expenditure Statement	6,237
(3,404)	Employer's pensions contributions and direct payments to pensioners payable in the year	(3,461)
54,040	Balance at 31 March	41,283

23.4 Collection fund Adjustment Account

2018/19			Collection Fund Adjustment Account	2019/20		
Council Tax £'000	Business Rates £'000	Total £'000		Council Tax £'000	Business Rates £'000	Total £'000
(293)	1,419	1,126	Balance at 1 April	(231)	2,073	1,842
62	654	716	Movement on account	(17)	2,207	2,190
(231)	2,073	1,842	Balance at 31 March	(248)	4,280	4,032

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement

Notes to the Accounts

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

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

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

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

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

2018/2019 £'000		2019/2020 £'000
	Non Cash Transactions	
11,935	Depreciation, downward revaluations and impairments	23,463
116	Amortisations	91
2,727	Pension fund adjustments	2,776
6,492	Carrying amount of non-current assets sold	9,601
(42)	(Increase)/decrease in stock	25
319	(Increase)/decrease in debtors	(1,470)
149	Other non-cash items charged on the provision of services	(262)
3,358	(Decrease)/increase in creditors	183
25,054	Total non-cash movements	34,407

Notes to the Accounts

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

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

2018/2019 £'000		2019/2020 £'000
(4,931)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7,136)
(3,079)	Capital grants credited to the surplus or deficit on the provision of services	(1,322)
(8,010)	Net adjustment	(8,458)

The net cash flow from operating activities for 2019/20 includes interest received of £46k (2018/19 £114k) and interest paid of £4,794k for 1920 (2018/19 £4,963k).

26. Cash Flow Statement – Investing Activities

2018/2019 £'000		2019/2020 £'000
(30,708)	Purchase of property, plant and equipment, investment property and intangible assets	(29,238)
(220,041)	Purchase of short-term investments	(117,380)
(442)	Loans granted	(582)
4,958	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7,139
220,041	Proceeds from short-term and long term investments	112,880
4,279	Capital grants received	2,154
(21,913)	Net cash flows from investing activities	(25,027)

Notes to the Accounts

27. Cash Flow Statement – Financing Activities

2018/2019 £'000		2019/2020 £'000
19,500	Cash Receipts of Short-Term and Long-Term Borrowing	91,545
(15,500)	Repayment of Short-Term and Long-Term Borrowing	(71,845)
(4,570)	Council Tax, NNDR & other adjustments	(3,438)
(570)	Total cash flow from financing activities	16,262

27.1 Reconciliation of liabilities arising from financing activities

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

	2019/2020				
	1st April 2019 £'000	Loans Repaid £'000	New Loans £'000	Transfer between Short and Long Term Borrowing £'000	31st March 2020 £'000
Long term borrowings	158,416		38,700	(9,000)	188,116
Short term borrowings	19,000	(71,845)	52,845	9,000	9,000
Total liabilities from financing activities	177,416	(71,845)	91,545	-	197,116
	2018/2019				
	1st April 2018 £'000	Loans Repaid £'000	New Loans £'000	Transfer between Short and Long Term Borrowing £'000	31st March 2019 £'000
Long term borrowings	165,416			(7,000)	158,416
Short term borrowings	8,000	(15,500)	19,500	7,000	19,000
Total liabilities from financing activities	173,416	(15,500)	19,500	-	177,416

Notes to the Accounts

28. Trading Operations

The Council has the following trading operations:

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

2018/2019	Trading Operations		2019/2020
£'000			£'000
(520)	Markets	Turnover	(509)
700		Expenditure	758
180		Deficit	249
(651)	Commercial Premises	Turnover	(626)
373		Expenditure	345
(278)		Surplus	(281)
(98)	Net (Surplus)/Deficit on Trading Operations		(32)

29. Members' Allowances

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

2018/2019	Members' Allowances		2019/2020
£000			£000
439	Allowances		431
2	Expenses		3
441			434

Notes to the Accounts

30. Officers' Remuneration

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

2019/2020 Post Title	Notes	Salary, fees and allowances	Benefits in kind	Total Remuneration excluding pension contributions	Employer's pension contribution	Total Remuneration including pension contributions
		£'000	£'000	£'000	£'000	£'000
Chief Executive and Head of Policy		106.1	-	106.1	44.7	150.8
Deputy Chief Executive (Finance and Legal)		76.7	-	76.7	24.2	100.9
Head of Housing		74.7	-	74.7	16.3	90.9
Deputy Chief Executive (Public Services) and Head of Commercial and Development		56.4	7.1	63.6	17.1	80.7
Acting Head of Commercial and Development	(i)	17.6	1.5	19.0	2.9	21.9
Head of Corporate Services		72.4	-	72.4	22.9	95.3
Head of Planning and Building Control		74.7	-	74.7	22.9	97.5
Head of Community Services		72.4	-	72.4	22.9	95.3
2019/20 Totals		551.0	8.6	559.6	173.8	733.4

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

The information in the table above reflects the annual remuneration paid to employees in the posts as at 31 March 2020.

2018/2019 Post Title	Notes	Salary, fees and allowances	Benefits in kind	Total Remuneration excluding pension contributions	Employer's pension contribution	Remuneration including pension contributions
		£'000	£'000	£'000	£'000	£'000
Chief Executive and Head of Policy	From 16/7/17	103.1	-	103.1	32.8	135.9
Deputy Chief Executive (Finance and Legal)		58.7	-	58.7	19.3	78.0
Head of Housing		73.2	-	73.2	23.4	96.6
Head of Community Services (see note vi)		68.8	-	68.8	21.2	90.0
Head of Corporate Services (see note vii)		68.8	-	68.8	21.9	90.7
Head of Planning and Building Control		73.4	-	73.4	24.2	97.6
Deputy Chief Executive (Commercial and Development)		75.2	7.2	82.4	24.0	106.4
2018/19 Totals		521.2	7.2	528.4	166.8	695.2

Notes to the Accounts

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

2018/2019 Number ex. redundancies	2018/2019 Number inc. redundancies		2019/2020 Number ex. redundancies	2019/2020 Number inc. redundancies
		Remuneration		
7	7	£50,000 - £54,999	8	8
4	4	£55,000 - £59,999	7	7
1	1	£60,000 - £64,999	1	1
-	-	£65,000 - £69,999	0	0
1	1	£70,000 - £74,999	0	0
13	13	Total	16	16

31. Termination Benefits

The Council terminated the contract of two employees in 2019/20, incurring a cost of £41.4k (£45.5k in 2018/19). The table below sets out the numbers of exit packages with total cost per band. All redundancies were compulsory.

Exit package cost (including special payments) £'000	Number of compulsory redundancies		Total cost of exit packages in each band	
	2018/19	2019/20	2018/19 £'000	2019/20 £'000
£0 - £20	2	1	15.5	9.6
>£20 - £40	1	1	30.0	31.8
>£40 - £60	-	-	-	-
Total	3	2	45.5	41.4

Notes to the Accounts

32. External Audit Costs

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

2018/2019		2019/2020
£'000		£'000
46	Fees payable with regard to external audit services carried out by the appointed auditor for the current year	46
6	Fees payable for the certification of grant claims and returns	11
51		57

Notes to the Accounts

33. Grants and Contributions Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20.

2018/2019 £'000	Grant Income	2019/2020 £'000
	Credited to Taxation and Non specific grant income	
1,353	New Homes Bonus	1,077
17	EU Exit Funding	8
1,114	Small Business Rate relief	1,773
3,096	Capital grants and contributions	2,324
5,580	Sub-Total	5,182
	Credited to services	
27,770	Rent Allowances & Benefits	24,785
1,295	Recycling credits	1,498
394	Benefits Administration Grants	310
188	Contribution to NDR costs	187
103	Council Tax support admin. subsidy	101
565	Reclaimed Benefits	441
179	Grounds maintenance contributions	288
244	Homelessness Reduction Grant	431
305	Syrian Refugees Grant	119
242	Heritage Lottery and Museum contributions	358
295	Other contributions	824
31,580	Sub-Total	29,342
37,160	Total	34,524

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

31 March 2019 £'000	Capital Grants Received in Advance	31 March 2020 £'000
760	Section 106	887
294	Disabled Facilities Grants	343
182	Other	79
1,236	Total Grants received in advance	1,309

Notes to the Accounts

34. Related Parties

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

Central Government

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides substantial funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 32.

Officers

During 2019/20 there were no declarations of pecuniary interest by Council Officers in accordance with section 117 of the Local Government Act 1972.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in Note 28.

During 2019/20 the following declaration was made:

- Cllr Farmer was a Trustee for Druglink. Druglink run a coffee cart from the Civic Centre in St Albans city centre. Druglink are not charged for the space they occupy within the Civic Centre. The Council estimates that the cost of leasing a similar sized site within the city centre would be £4,500 per annum.

As at 31st July 2020 there were 11 declarations outstanding from current and ex-councillors.

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

Entities Controlled or Significantly Influenced by the Council

The Council manages Clarence Park, part of which is owned by a charity for which the Council act as trustees, and this is incorporated in the Council's accounts.

Notes to the Accounts

The Council has an agreement with five other Hertfordshire authorities for the running of the West Hertfordshire Crematorium through a Joint Committee. The Agreement provides for deficits to be met by the constituent councils but in practice the Crematorium meets its running costs from its own income, and builds up reserves where possible to meet future capital improvement costs. The Agreement also allows for surpluses to be paid to the constituent councils, where they are not required for future capital investment – in 2019/20 the Council received £50k. The assets and liabilities of the Joint Committee are shared by the five Hertfordshire Local Authorities in ratio of their populations except that the Land and Building assets are vested in the local authority where the Crematorium is situated. The Council's share of the assets and liabilities and of the net income is immaterial to the accounts and has not been consolidated.

The Council established a separate company called Oak Tree Gardens (St Albans) Management Company Limited, Co.12524223, on 07/11/2018 expressly to manage the Oak Tree Gardens development. The director is Colm O'Callaghan (Deputy Chief Executive (Finance and Legal)). The Council made two payments totalling £9,222 to the managing agent in 2019/20.

A Council officer, Joe Tavernier (Head of Community Services) is a director for St Albans Bid Ltd the company established to run the Business Improvement District (BID) in St Albans. Another director's post is held by a councillor and between April to May 2019 this was Cllr Salih Gaygusuz followed by Cllr Mandy McNeil from June 2019 to present. In 2019/20 the Council paid to the BID company a levy of £24,620 and the BID had an outstanding loan from the Council of £25,000 as at 31st March 2020.

In March 2020 the Council established a wholly owned private limited company called the St Albans City and District Estates Limited. There are currently 2 directors who are staff employees, Tony Marmo the Acting Head of Commercial and Development and Linda Middleton Transformation Manager. The company has been established to manage residential properties outside of the Housing Revenue Account. The company had no financial transactions during 2019/20.

Notes to the Accounts

35. Capital Expenditure and Capital Financing

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

2018/19 £'000	Capital financing Requirement	2019/20 £'000
212,827	Opening Capital Financing Requirement	215,615
	Capital investment	
27,710	Property, Plant and Equipment	32,777
11	Heritage Assets	-
50	Intangible Assets	135
1,246	Revenue Expenditure funded from Capital under Statute	1,264
29,017		34,176
	Less Sources of Finance	
10,560	Capital Receipts	9,537
1,211	Other Government Grants and other contributions	455
687	Disabled Facilities Grant	683
586	Heritage Lottery funding for New Museums and Galleries	72
99	Leaseholders Recharge	50
3,354	Major Repairs Reserve	6,588
358	Revenue contribution to capital	942
8,000	Voluntary revenue provision HRA	7,000
1,374	Minimum revenue provision General Fund	1,574
26,229		26,901
215,615	Closing Capital Financing Requirement	222,890

2018/19 £'000	Explanation of movements in year	2019/20 £'000
2,788	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	7,275
2,788	Increase/(decrease) in Capital Financing Requirement	7,275

Notes to the Accounts

36. Leases

Council as a Lessor

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

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

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

2018/2019 £'000		2019/2020 £'000
1,278	Not later than one year	14
4,054	Later than one year and not later than five years	716
10,390	Later than five years	6,355
15,722		7,084

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

Council as a Lessee

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

- Photocopying & printing
- Electric mopeds bikes for parking enforcement

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

2018/2019 £'000		2019/2020 £'000
1,278	Not later than one year	14
4,054	Later than one year and not later than five years	716
10,390	Later than five years	6,355
15,722		7,084

Notes to the Accounts

37. Borrowing Costs

For 2019/20 the council has changed its accounting policy for borrowing costs incurred where items of property, plant and equipment take a substantial period of time to get ready for their intended use. Previously borrowing costs had been charged to the financing and investment income and expenditure line in the comprehensive income and expenditure statement in the financial year in which they were incurred. The new approach is to capitalise borrowing costs for qualifying assets and is set out in the council's accounting policies (see Notes to the Accounts 1.24).

The council has enhanced the accounting policy because it believes that the capitalisation of borrowing costs better reflects the costs of property, plant and equipment and helps ensure that those benefiting from the use of the asset meet those costs.

In applying the new accounting policy, the council has identified that the interest payable on external borrowing in 2018/19 was £0.001m (excluding HRA self-financing loans). The adjustment to the 2018/19 accounts would be immaterial and therefore the 2018/19 accounts have not been restated to apply the policy in that year.

The Council has capitalised borrowing costs of £0.130m during the financial period 2019-20. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation for the 2019-20 financial period, calculated using the weighted average interest rate on the Council's loan payments, was 1.35%. A qualifying asset will be that which takes in excess of 18 months to get ready for intended use and has forecast spend of at least £100,000.

38. Defined Benefit Pension Scheme

Participation in the Pension Scheme

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

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

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

Notes to the Accounts

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement.

Notes to the Accounts

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

2018/2019 £'000	Transactions Relating to Post Employment Benefits	2019/2020 £'000
	Comprehensive Income and Expenditure Statement	
	Cost of Services:	
4,286	- Current Service Cost	4,905
594	- Past Service Costs (including curtailments)	15
	Financing and Investment Income and Expenditure	
1,251	Net Interest expense	1,317
6,131	Total Post Employment Benefit Charged/(Credited) to the Surplus or Deficit on the Provision of Services	6,237
	Other Post Employment Benefit Charged/(Credited) to the Comprehensive Income and Expenditure Statement	
	Remeasurements of the net defined benefit liability comprising:	
(4,542)	Return on plan assets (excluding the amount included in the net interest expense)	3,456
-	Actuarial (gains) and losses arising from changes in demographic assumptions	(3,785)
8,449	Actuarial (gains) and losses arising from changes in financial assumptions	(12,484)
-	Experience (gain) and losses	(2,720)
3,907	Total Post Employment Benefit Charged/(Credited) to the Comprehensive Income and Expenditure Statement	(15,533)
	Movement in Reserves Statement	
(6,131)	Reversal of net charges made to the Surplus or deficit for the Provision of Services for employment benefits in accordance with the Code	(6,237)
3,404	Actual amount charged against the General Fund Balance for pensions in the year: Employers' contributions payable to the scheme	3,461
(2,727)	Pension costs transferred to/(from) the Pensions Reserve	(2,776)

Notes to the Accounts

Pension Assets and Liabilities Recognised in the Balance Sheet

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

2018/2019 £'000		2019/2020 £'000
(150,085)	Present Value of the defined benefit obligation	(148,679)
102,679	Fair values of plan assets	107,396
(47,406)	Net liability arising from the defined benefit obligation	(41,283)

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

2018/2019 £'000	Pension Scheme Assets	2019/2020 £'000
102,679	Opening fair value of scheme assets at 1 April	109,220
2,659	Interest income	2,615
4,542	Remeasurement gain/(loss):	
	Return on plan assets, excluding the amount included in the net interest expense	(3,456)
3,404	Contributions from employer	3,461
720	Contributions from employees into the scheme	743
(4,784)	Benefits paid	(5,187)
109,220	Closing fair value of scheme assets at 31 March	107,396

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

2018/2019 £'000	Pension Scheme Liabilities	2019/2020 £'000
150,085	Opening balance at 1 April	163,260
4,286	Current Service Cost	4,905
3,910	Interest Cost	3,932
720	Contributions from scheme participants	743
	Remeasurement (gains)/losses:	
-	Actuarial (gains) and losses arising from changes in demographic assumptions	(3,785)
8,449	Actuarial (gains) and losses arising from changes in financial assumptions	(12,484)
-	Experience (gain)/loss	(2,720)
594	Past service costs	15
(4,784)	Benefits Paid	(5,187)
163,260	Closing balance at 31 March	148,679

Notes to the Accounts

Local Government Pension Scheme Assets Comprised:

As at 31 March 2019			Asset Category	As at 31 March 2020		
Fair value of scheme assets				Fair value of scheme assets		
Quoted prices in active markets	Quoted prices not in active markets	Total		Quoted prices in active markets	Quoted prices not in active markets	Total
£'000	£'000	£'000		£'000	£'000	£'000
3,534	-	3,534	Cash and cash equivalents	2,319	-	2,319
		-	Equity Instruments by industry type			
4,858	-	4,858	Consumer	2,050	-	2,050
4,235	-	4,235	Manufacturing	1,637	-	1,637
1,127	-	1,127	Energy and utilities	-	-	-
4,504	-	4,504	Financial institutions	1,574	-	1,574
888	-	888	Health and care	966	-	966
3,417	-	3,417	Information technology	3,679	-	3,679
292	-	292	Other	176	-	176
			Debt Securities			
-	50	50	Other	-	2,783	2,783
-	5,121	5,121	Private Equity	-	5,746	5,746
		-	Property			
-	3,869	3,869	UK property	-	3,247	3,247
-	4,143	4,143	Overseas property	-	6,409	6,409
		-	Investment Funds and Unit Trusts			
27,559	-	27,559	Equities	33,410	-	33,410
37,999	-	37,999	Bonds	35,210	-	35,210
-	-	-	Commodities	-	-	-
-	1,059	1,059	Infrastructure	-	99	99
923	5,772	6,695	Other	906	7,299	8,205
		-	Derivatives			
-	(130)	(130)	Foreign exchange	-	(114)	(114)
89,336	19,884	109,220	Totals	81,927	25,469	107,396

Notes to the Accounts

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Hertfordshire County Council Fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries; estimates on the pension fund are based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

31 March 2019	Actuarial Assumptions	31 March 2020
	Long-term expected rate of return on assets in the scheme	
2.4%	Equity investments	2.3%
2.4%	Bonds	2.3%
2.4%	Property	2.3%
2.4%	Cash	2.3%
	Mortality assumptions	
	Longevity at 65 for current pensioners	
22.5	Men	21.9
24.9	Women	24.1
	Longevity at 65 for future pensioners	
24.1	Men	22.8
26.7	Women	25.5
	Financial assumptions	
2.5%	Rate of inflation	2.3%
2.6%	Rate of increase in salaries	2.3%
2.5%	Rate of increase in pensions	1.9%
2.4%	Rate for discounting scheme liabilities	2.3%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes whilst all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit

Notes to the Accounts

method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

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

Change in assumptions at 31 March 2020	Approximate % increase to employer liability	Approximate monetary amount £'000
0.5% decrease in Real Discount Rate	9%	13,109
0.5% increase in Salary Increase Rate	1%	1,033
0.5% increase in the Pension Increase Rate	8%	11,986

Impact on the Authority's Cash Flows

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £54.0m has substantial impact on the net worth of the Council as recorded in the Balance Sheet. However statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

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

Contributions payable by the Council are set by the Fund Actuary at each triennial actuarial valuation (the most recent being as at 31 March 2016), or at any other time as instructed to do so by the administering authority.

The estimated contribution to the scheme in 2019/20 is £3.5m (2018/2019 was £3.4m).

The weighted average duration of the defined benefit obligation for scheme members at 31 March 2020 is 18 years (31 March 2019 16.1 years).

39. Contingent Liabilities

In 1992, Municipal Mutual Insurance (MMI), one of our insurers at the time, stopped accepting new business. MMI and its policy holders, including local authorities, have organised how the company can be closed if necessary. How much MMI owes cannot be worked out until all current and future claims have been settled. MMI may not have enough money to pay its debts in the future. If that is the case, MMI can claim back from its major policy holders, including the Council, part of the claims paid from 1 October 1993. The balance of un-provided claims MMI could ask for as at 31 March 2020 is £447k (31 March 2019 £447k).

Notes to the Accounts

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

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

A mesothelioma related claim was received in March 2018 in respect of the estate of a former employee of Harpenden UDC. SADC is the successor authority so would be liable should the claim be successful. The estimated potential claim is £221k (plus legal costs). Liability was denied and we have heard nothing further from the claimant's solicitors.

A further mesothelioma claim for a contribution was received on behalf of a former employer of a Council employee and tenant. The former employer (English Electric) has settled the mesothelioma claim and are seeking a contribution from the Council. The claim is estimated at £29k (including costs). Liability has been denied.

40. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit Risk

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

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

Notes to the Accounts

respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £6,062k cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all the Council's deposits, but there was no evidence at 31 March 2020 that this was likely to crystallise.

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

The Council generally allows its debtors 14 days credit. Of the £2,880k (2018/19 £3,373k) outstanding from debtors, £1,752k (2018/19 £2,216k) is past due and this is analysed by age as follows:

31 March 2019 £'000	Trade Debtors Ageing	31 March 2020 £'000
635	Less than 3 months overdue	412
161	3 to 6 months overdue	209
329	7 months to 1 year overdue	100
1,091	More than 1 year overdue	1,032
2,216		1,752

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

Amounts arising from expected credit losses

The following table shows the movement in the impairment loss allowance from 1st April 2019 to 31st March 2020.

Notes to the Accounts

Loss allowance by Asset Class 2019/20	
Asset Class (amortised cost): Trade Debtors	Lifetime expected credit losses – simplified approach (for Trade Debtors only)
	£'000
Opening balance as at 1 April 2018	213
New financial assets originated or purchased	21
Amounts written off	0
Financial assets that have been derecognised (Repayment of debtors provided for in general & specific provision)	(107)
Changes due to modifications that did not result in derecognition (New Debtors)	86
Changes in models/risk parameters	0
Other changes	
As at 31 March 2019	213

Loss allowance by Asset Class 2018/19	
Asset Class (amortised cost): Trade Debtors	Lifetime expected credit losses – simplified approach (for Trade Debtors only)
	£'000
Opening balance as at 1 April 2018	133
New financial assets originated or purchased	0
Amounts written off	(1)
Financial assets that have been derecognised (Repayment of debtors provided for in general & specific provision)	(31)
Changes due to modifications that did not result in derecognition (New Debtors)	112
Changes in models/risk parameters	0
Other changes	0
As at 31 March 2019	213

If collection rates were to deteriorate an increase in the impairment of doubtful debts would be required. To provide in full for overdue trade debtors over two months old would require an additional £342k to be set aside as an allowance.

Notes to the Accounts

Liquidity Risk

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

The Council borrowed £189.6m in 2011/12 in order to provide the funds to pay for the Housing Self Financing debt, and existing Housing debt, taking the total housing debt to £191.1m. Housing Self Financing was the system for financing council housing introduced in April 2012 that replaced the Housing Revenue Account subsidy system. In order to take account of low interest rates and favourable terms, all borrowings were taken at fixed interest rates. The repayment of debt has been taken into account in the Housing 30 year business plan and it is considered that planned rental income is sufficient to repay debt when it becomes due. £32.7m has so far been repaid on due dates, leaving a balance of £158.4m owing at 31 March 2020 (£149.6m loans over 12 months and £9.0m loans 12 months and under).

During 2019/20 the Council borrowed for short term periods (3 months or less) to meet cash flow requirements and had additional longer term borrowing to fund the General Fund capital programme. The longer term borrowing was from the PWLB and other borrowing from other local authorities.

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

The maturity analysis of financial liabilities is as follows:

31 March 2019 £'000	Maturity Analysis of Financial Liabilities	31 March 2020 £'000
19,000	Less than one year	9,000
9,000	Between one and two years	10,000
36,000	Between two and five years	40,000
79,500	Between five and ten years	84,500
32,416	Between ten and fifteen years	14,916
1,500	Between fifteen and twenty years	38,700
177,416		197,116

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

Notes to the Accounts

Market Risk

Interest Rate Risk

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

The average interest rate earned on investments during the year was 0.56% and if interest rates throughout the year had been 0.5% higher this would have increased the amount of interest earned by £40k.

As mentioned above, all debt is at fixed interest rates ranging from 2.21% to 4.65% (for the longest term debt), with a weighted average of 3.02%.

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

Notes to the Accounts

41. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Authority	Exhibits	Silver	Civic Regalia	Cups and Trophies	Sculptures	War Memorials	Total Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation:							
1 April 2018	4,416	345	144	548	37	409	5,899
31 March 2019	4,586	355	159	564	37	422	6,123
Cost or valuation:							
1 April 2019	4,586	355	159	564	37	422	6,123
Additions	-	-	11	-	-	-	11
Revaluation	105	8	(8)	11	1	12	129
31 March 2020	4,691	363	162	575	38	434	6,263

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

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

42. Heritage Assets – Information on the Museums' Collections

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

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

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

Notes to the Accounts

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

Preservation and Management

Acquisition and Disposal

The general statements of policy on acquisition and disposal are set out in St Albans Museums Collection Policy. They are those published by Arts Council England, formerly the Museums, Libraries & Archives Council on 4 April 2008. The Museums' governing body, the City & District of St Albans, have also adopted the ethical guidance issued by the Museums Association, the *Code of Ethics for Museums 2008*, and intends to adopt subsequent amendments.

Preservation and Management – Collections Care

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

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

Housing Revenue Account

HRA Income and Expenditure Statement

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

2018/19	Housing Revenue Account Income and Expenditure Statement	2019/20
£'000		£'000
	Expenditure	
4,888	Repairs and Maintenance	5,042
5,973	Supervision and Management	6,226
202	Rents, Rates, Taxes and other charges	321
7,631	Depreciation and impairment of non-current assets	7,396
(403)	Revaluation gains reversing prior year losses charged to the HRA	10,573
38	Debt Management costs	31
75	Movement in the allowance for bad debts	221
200	HRA services' share of Corporate and Democratic Core	210
18,604	Total Expenditure	30,020
	Income	
(26,274)	Dwelling rents	(26,633)
(1,127)	Non-dwelling rents	(1,240)
(814)	Charges for services and facilities	(651)
(28,215)	Total Income	(28,524)
(9,611)	Net (Income)/Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	1,496
(9,611)	Net (Income)/Cost of HRA Services	1,496
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement	
(832)	Gain on sale of HRA non-current assets	(2,252)
3,050	Write-off of replaced asset components	4,343
4,961	Interest payable and similar charges	4,788
(103)	Interest and investment income	(56)
190	Net interest on the net defined benefit liability	178
(405)	Capital grants, contributions and other receipts	(1,105)
(2,750)	(Surplus)/Deficit for the year on HRA services	7,392

Housing Revenue Account

Movement in the Housing Revenue Account

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

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

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

2018/19	Movement on the Housing Revenue Account Statement	2019/20
£'000		£'000
(7,311)	Balance on the HRA at the end of the previous year	(4,453)
(2,750)	(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement	7,392
	Adjustments between accounting basis and funding basis under statute	
217	Transfer (from)/to the Capital Adjustment Account for the impairment of dwellings	(10,586)
8,000	Transfer to the Capital Adjustment Account for debt repayment provision	7,000
-	Loan repayment funded by MRR	(7,000)
(438)	Transfer from the Capital Adjustment Account for Revenue expenditure funded from capital under statute	(431)
(16)	Contribution from the Capital Receipts Reserve towards the administrative costs of non-current asset disposals	(20)
832	Gain on sale of HRA non-current assets	2,252
(3,050)	Write-off of replaced asset components	(4,343)
99	Capital grants and Contributions	995
288	Other Capital Receipts	9
(324)	HRA share of contributions to or from the Pensions Reserve	(373)
2,858	Net (increase)/decrease before transfers to or from	(4,604)
-	Transfers to/(from) reserves	-
2,858	(Increase)/decrease in year on the HRA	(4,604)
(4,453)	Balance on the HRA at the end of the current year	(9,057)

Housing Revenue Account

Notes to the Housing Revenue Account

H1. Analysis and Value of the Housing Stock

a) Number and Types of Dwelling in the Housing Stock

The Council was responsible for managing 4,909 dwellings as at 31 March 2020 as follows:

31 March 2019	Number of Dwellings by Type	31 March 2020
	One bedroom dwellings	
325	- Houses and Bungalows	326
1,091	- Flats	1,092
	Two bedroom dwellings	
513	- Houses and Bungalows	511
894	- Flats	906
	Three bedroom dwellings	
1,889	- Houses and Bungalows	1,887
30	- Flats	30
	Four or more bedroom dwellings	
88	- Houses and Bungalows	88
68	Multi-occupied dwellings	69
4,898		4,909

On 31 March 2020 1.26% (2019 1.92%) of lettable properties were vacant.

The change in stock can be summarised as follows:

2018/19	Dwelling Stock Reconciliation	2019/20
4,877	Stock at 1 April	4,898
(12)	Less: Right to buy sales	(15)
18	Purchases	26
48	Newly constructed	-
(33)	Reclassified, disposed, demolished	-
4,898	Stock at 31 March	4,909

Housing Revenue Account

b) Balance Sheet Value

HRA dwellings are valued using the Beacon basis whereby all properties are linked to a set of 'beacon' properties and valued in line with the change in average value of the 'beacons'. Beacon properties were revalued 1 April 2019, then reviewed and adjusted for as at 31 March 2020. The valuation is at 'Existing Use Value – Social Housing' reduced to a factor to reflect social housing tenancies. The factors for surrounding regions are set by central government each year, and 35% for 2019/20 (35% in 2018/19) has been deemed by a Registered Valuer and Local Property Expert as appropriate for St Albans.

31 March 2019 £'000	Housing land, dwellings and other property	31 March 2020 £'000
544,607	Dwellings	542,401
8,933	Other land and buildings	8,780
5,292	Garages	5,587
2,869	HRA shops	3,348
3	Vehicles, Plant and Equipment	2
2,185	Assets under construction	5,065
563,889	Total property plant and equipment	565,183
647	Assets Held for Sale	605
564,536	Total land, dwellings and other property	565,788

c) Vacant Possession Value

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

At 31 March 2019 £'000	Vacant Possession Value	At 31 March 2020 £'000
1,565,077	HRA Dwellings	1,548,137

Housing Revenue Account

H2. Major Repairs Reserve

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

2018/19 £'000	Major Repairs Reserve	2019/20 £'000
(6,534)	Opening Balance 1 April	(10,625)
	Transfer to Reserve in year	
(7,299)	Depreciation Dwellings	(7,229)
(138)	Depreciation Non-Dwellings	(145)
(8)	Other depreciation	(8)
(7,445)	Sub-total	(7,382)
3,354	Used to fund capital expenditure in year	6,588
-	Used to fund loan repayment in year	7,000
(10,625)	Closing Balance at 31 March	(4,419)

Housing Revenue Account

H3. Capital Expenditure

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

2018/19 £'000	Categories of Capital Expenditure	2019/20 £'000
264	Kitchens and bathrooms	121
625	External walls and roofing	734
773	Windows and doors	903
603	Heating, wiring and plumbing	1,769
828	Other	816
4,680	Property Purchases	8,262
7,773	Council Dwellings Additions	12,605
125	Other land and buildings	217
4,646	Social Housing Development	2,752
588	Disabled Facilities Grants	634
545	Other capital expenditure	551
13,677	Total Capital Expenditure	16,759

- b) This was financed as follows:

2018/19 £'000	Financing of Capital Expenditure	2019/20 £'000
3,355	Major Repairs Reserve	4,594
9,734	Capital Receipts Reserve	1,224
588	Grants and contributions	10,941
13,677	Total Capital Funding	16,759

- c) The Council has capital contract commitments as at 31 March 2020 of £3.0m relating to Housing Investment Programme schemes (the Housing capital programme).

Housing Revenue Account

H4. Capital Receipts

In accordance with the requirements of the Local Authorities (Capital Finance and Accounting) (England) Regulations, the Council pays a proportion of capital receipts from the disposal of housing assets to the National Pool. In 2019/20 £934k (same as 2018/19) was paid by the Council, which represented 35% of the capital receipts subject to pooling.

The number of Council property sales was 15 (2018/19: 12). The following table is a summary of the capital receipts from disposals of land, houses and other property within the Council's HRA during the financial year.

2018/19 £'000	Capital Receipts	2019/20 £'000
2,703	Dwelling sales (subject to pooling)	4,005
1,331	Non-poolable receipts	9
4,034	Gross capital receipts	4,014
(16)	Less Costs	(20)
	Payable to National Pool	
(934)	For current year	(934)
3,084	Retained Capital Receipts	3,060

The Housing Capital receipt balance on 31 March 2020 was £9,424k (2018/19: £15,998k). £3,043k of this has been retained on condition that it will be spent on the provision of new affordable housing and the Council has plans to meet this condition.

Housing Revenue Account

H5. Depreciation

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

Structure: 100 years

Roof: 70 years

Windows: 30 years

Internal Components: 15-40 years

2018/19 £'000	Depreciation	2019/20 £'000
7,188	Dwellings	7,119
111	Multi Occupancy Properties	111
8	Equipment, Vehicles and Intangibles	8
137	Garages	145
7,444	Total Depreciation Charged to the HRA	7,383

H6. Pension Costs

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

Full details of the pension costs for the whole Council are included within Note 37 to the Core Financial Statements.

2018/19 £'000	Pension Costs	2019/20 £'000
	Net Cost of Services:	
652	- Current Service Cost	663
	Net Operating Expenditure:	
190	- Net Interest expense	178
842	Net charge to the HRA	841
	Amounts to be met from Government Grants and Local taxation:	
(324)	- Movement on pensions reserve	(373)
518	Actual amount charged against Council tax for pensions in the year: Employer's contributions payable to the scheme	468

Housing Revenue Account

H7. Rent Arrears and Bad Debts

a) Arrears – amounts outstanding from Council Tenants

2018/19 £'000	Council Tenant Rent Arrears	2019/20 £'000
1,324	Arrears at 31 March	1,845
5.1%	Rent arrears as a percentage of gross rent income	7.0%

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

2018/19 £'000	Bad Debt Provision	2019/20 £'000
479	Bad debts provision at 1 April	508
(121)	Debts written off in the year	(37)
150	Increase/(decrease) in provision	224
508	Bad debt provision at 31 March	695

H8. Rent Rebates

Assistance with rents for those on low incomes is available under the Housing Benefits Scheme. In 2019/20 35.8% (2018/19 39.7%) of the Council's rents receivable were by way of benefits. Rent rebates are chargeable to the General Fund and reclaimed from Central Government by way of a Housing Benefit grant.

H9. Revenue Expenditure funded from Capital Under Statute

In 2019/20, an amount of £20k has been debited (2018/19 debit of £135k) to the HRA cost of services being the net of the cost of capital expenditure chargeable to leaseholders and the amount invoiced to leaseholders. This has been reversed out to the Capital Adjustment Account in the Movement on the HRA Statement. The charge or credit arises due to a timing difference between the work being completed and invoiced.

Collection Fund Statement

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

2018/19			Collection Fund Income and Expenditure Account		2019/20		
Business Rates	Council Tax	Total		Note	Business Rates	Council Tax	Total
£'000	£'000	£'000			£'000	£'000	£'000
			Income				
-	(106,338)	(106,338)	Council tax receivable	C1	-	(111,803)	(111,803)
(60,261)	-	(60,261)	Business rates receivable	C2	(60,114)	-	(60,114)
(235)	-	(235)	Less Transitional payment protection payable		102	-	102
(60,496)	(106,338)	(166,834)	Total Income		(60,012)	(111,803)	(171,815)
			Expenditure				
			Precepts, Demands and shares:				
6,073	81,388	87,461	Hertfordshire County Council		23,780	84,462	108,242
-	10,108	10,108	Police and Crime Commissioner for Hertfordshire		-	11,676	11,676
24,294	13,302	37,596	St Albans District Council (including Parishes)		20,808	13,708	34,516
30,367	-	30,367	Central Government		14,863	-	14,863
			Charges to Collection Fund				
188	-	188	Costs of collection		187	-	187
-	73	73	Write-offs of uncollectable amounts		-	73	73
234	213	447	Allowance for impairment		295	327	622
4,901	-	4,901	Provision for appeals		1,745	-	1,745
258	-	258	Enterprise Zone		126	-	126
(3,661)	1,798	(1,863)	Contributions towards previous year's estimated Collection Fund	C3	3,412	1,389	4,801
62,654	106,882	169,536	Total Expenditure		65,216	111,635	176,851
2,158	544	2,702	Movement on Fund balance		5,204	(168)	5,036
3,562	(2,651)	911	Balance at 1 April brought forward		5,720	(2,107)	3,613
5,720	(2,107)	3,613	Balance at 31 March carried forward		10,924	(2,275)	8,649
			Shares of balance				
572	(1,662)	(1,090)	Hertfordshire County Council		1,630	(1,780)	(150)
-	(214)	(214)	Police and Crime Commissioner for Hertfordshire		-	(247)	(247)
2,288	(231)	2,057	St Albans District Council (included in reserves)		4,280	(248)	4,032
2,860	-	2,860	Central Government		5,014	-	5,014
5,720	(2,107)	3,613	Total carried forward		10,924	(2,275)	8,649

C1. Council Tax

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

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

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

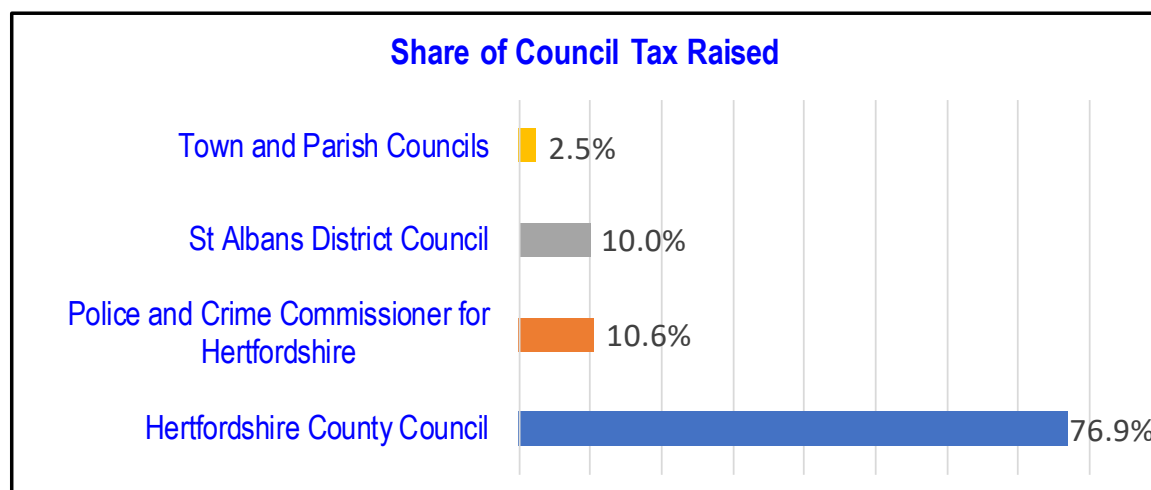
Band	Property Value	Number of dwellings	Ratios	Band D equivalents
A	up to £40,000	645	0.67	432
B	between £40,001 and £52,000	1,863	0.78	1,453
C	between £52,001 and £68,000	6,974	0.89	6,207
D	between £68,001 and £88,000	13,559	1.00	13,559
E	between £88,001 and £120,000	11,637	1.22	14,197
F	between £120,001 and £160,000	8,508	1.44	12,252
G	between £160,001 and £320,000	7,307	1.67	12,202
H	over £320,000	1,216	2.00	2,432
		51,709		62,734
	Less adjustment for non-collection (1%)			(627)
	Council Tax Base for 2019/20			62,107
	Council Tax Base for 2018/19			61,636

Council Tax Levy at Band D by Precepting Council:

2018/19	Council Tax Levy at Band D	2019/20
£1,320.46	- Hertfordshire County Council	£1,359.94
£164.00	- Police and Crime Commissioner for Hertfordshire	£188.00
£172.77	- St Albans District Council	£176.89
£43.03	- Town and Parish Councils	£43.82
£1,700.26	Average Council tax Levy at Band D	£1,768.65

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

Collection Fund – Notes to the Collection Fund



C2. Income From Business Rates

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

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

2018/19	Business Rate Factors	2019/20
£ 149,373,297	Rateable value at 31 March as notified by the Valuation Office Agency	£ 146,732,092
49.3p	Business Rate multiplier	50.4p
48.0p	Small business rate multiplier	49.1p

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

The Council benefited from the pilot scheme. The forecast net additional resources payable to the Council from the pilot gain is £0.413m (the total pilot gain is £0.615m less £0.259m safety net payment would have been payable under the 50% scheme).

Collection Fund – Notes to the Collection Fund

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

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

2018/19			Precepting Authorities	2019/20		
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000
(366)	1,422	1,056	Hertfordshire County Council	341	1,096	1,437
-	173	173	Police and Crime Commissioner for Hertfordshire	-	136	136
(1,465)	203	(1,262)	St Albans District Council	1,365	157	1,522
(1,830)	-	(1,830)	Central Government	1,706	-	1,706
(3,661)	1,798	(1,863)	Total surplus/(deficit)	3,412	1,389	4,801

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



St Albans
City & District Council



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ST. ALBANS CITY AND DISTRICT COUNCIL

DRAFT ANNUAL GOVERNANCE STATEMENT

June 2020

Annual Governance Statement

1. Scope of Responsibility

- 1.1 St. Albans City and District Council (SADC) is responsible for ensuring that its business is conducted in accordance with the law, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.
- 1.2 In discharging this duty, the Council is responsible for putting in place proper governance of its affairs, the effective exercise of its functions, and managing risk
- 1.3 This Annual Governance Statement (AGS) explains how the Council has governed itself and how it meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of such a statement.

2. What is Corporate Governance?

- 2.1 Corporate governance refers to how the Council is led, controlled and held to account.
- 2.2 The Council's governance framework aims to ensure that in conducting its business it:
 - operates in a lawful, open, inclusive and honest manner;
 - makes sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively;
 - has effective arrangements for the management of risk; and
 - secures continuous improvement in the way that it operates.
- 2.3 The governance framework comprises the culture, values, systems and processes by which the Council is directed and controlled. The framework brings together legislative requirements, good practice principles and management processes.
- 2.4 The Council's Local Code of Corporate Governance (the Code) is consistent with the principles set out in the "Delivering Good Governance in Local Government" Framework published by CIPFA/SOLACE (2016). The Code is reviewed and refreshed on an annual basis.

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2.5 The table below is a summary of the Council’s compliance to the CIPFA/SOLACE Framework:

The Principles:

Core Principle	Evidence of Compliance
One – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.	Rigorous and transparent decision-making processes are in place. There is an effective scrutiny process. Acting within the law. Providing high quality information, advice and support to Councillors (Members) and partners. Operating an effective risk management system.
Two – Ensuring openness and comprehensive stakeholder engagement.	Developing constructive relationships with stakeholders. Taking an active and planned approach to dialogue with the public. Regularly consulting with employees and their representatives.
Three – Defining outcomes in terms of sustainable economic, social, and environmental benefits.	Corporate Plan. Community Impact Assessments for major projects and decisions going to Cabinet. Sustainability Impact Assessments.
Four – Determining the interventions necessary to optimise the achievement of the intended outcomes.	Feedback from complainants. Community Impact Assessments. Project management approach encourages engagement with service users and other stakeholders.
Five – Developing the entity’s capacity, including the capability of its leadership and the individuals within it.	Member Training and Development Programme. Professional Training and Development for staff relevant to their professional and operational areas. Member and staff Induction Programmes. Staff training. Values and behaviours clearly communicated. Staff performance reviews and target setting.
Six – Managing risks and performance through robust internal control and strong public financial management.	Risk Management Strategy. Corporate, COVID-19 and departmental risk registers. Internal Audit Charter. Internal Audit Risk Assessment informed by assurance mapping based on the Council’s risk registers. Review of risk register by Senior Management Team and Audit Committee. Audit Committee review of Internal Audit’s work.

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	Staff training to better understand and manage key risks.
Seven – Implementing good practices in transparency, reporting, and audit to deliver effective accountability.	Annual Governance Statement. Annual Report of the Internal Audit Manager. Publication Scheme and Freedom of Information responses. Publication of meeting schedules, agendas and minutes. Webcasting of Council meetings.

3. The Purpose of the Governance Framework

- 3.1 The governance framework comprises the systems, processes, culture and values, by which the Council is directed and controlled. This includes the activities through which it engages with, leads and accounts to the community. It enables the Council to monitor the achievement of its strategic objectives of appropriate, cost effective services and activities in line with its policy and budget framework.
- 3.2 The system of internal control is a significant part of that framework and is designed to manage the Council's risks to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is a process designed to identify and prioritise the risks to the achievement of the Council's policies and priorities. It evaluates the likelihood of those risks being realised, and the impact should they be realised, and to manage them economically, efficiently and effectively.
- 3.3 The governance framework has been in place at the Council for the year ended 31 March 2020 and up to the date of approval of the annual statement of accounts.

4. The Governance Framework

- 4.1 Some of the key features of the governance framework include:
- i. The Corporate Plan** – identifies and communicates the Council's vision, objectives and priorities.
 - ii. The Corporate Risk Register** – reflects the objectives of the Corporate Plan and identifies the implications for the Council's governance arrangements.
 - iii. The Constitution** – includes financial regulations and a scheme of delegation which defines financial decision making, and these are regularly updated.
 - iv. Council** – is the ultimate decision-making body for all matters other than those delegated to the, Planning, Licensing and Standards Committees, and operational decision making to specific officers.

Annual Governance Statement

- v. **Cabinet** – comprising the Leader, Deputy Leader and Portfolio Holders is an executive body. Its role is to formulate strategy and policy and make recommendations to Council.
- vi. **Scrutiny Committees** – support the work of the Cabinet and the Council as a whole. The committees can ‘call-in’ key decisions which have been made but not yet implemented. The Scrutiny Committees may recommend that Cabinet or other decision takers reconsider the decision.
- vii. **Audit Committee** – this and the Standards Committee are Regulatory Committees. The Audit Committee reviews the effectiveness of the internal control, risk and governance environment, and approves the Council’s statutory accounts and the Annual Governance Statement.
- viii. **Standards Committee** – promotes high standards of conduct and has responsibility for overseeing investigations of complaints against Members. Further Regulatory Committees include:
- Highways Liaison Committee
 - Licensing and Regulatory Committee
 - Licensing Sub Committee
 - Planning (Development Control) Committees: and
 - Planning Referrals Committee
- ix. **City Neighbourhoods Committee** – was established in 2013 and has delegated authority from Cabinet. The Committee advances the localism agenda and encourages local groups to take a greater role in relation to the strategic oversight or management of assets. The councillor representation is drawn from the unparished wards in the City Centre. As these wards have no parish council, the City Neighbourhoods Committee considers matters which might otherwise normally fall within the remit of a parish council.
- x. **The Chief Executive** – (Head of Paid Service) as part of the Senior Management Team has delegated authority to take operational decisions within policies and budgets set by Council.
- xi. **The Deputy Chief Executive (Finance and Legal)** – is the Council’s Section 151 Officer leading a finance service which promotes effective financial management so that public money is safeguarded and used economically, efficiently and effectively.
- xii. **The Monitoring Officer** – is responsible for maintaining and advising on the Constitution. This Officer ensures that the Council’s decision making is lawful and fair and supports the promotion of high ethical standards and compliance with Codes of Conduct.
- xiii. **Chief Executive Board** – comprises the Chief Executive, Deputy Chief Executives, and Heads of Service, responsible for the day to day management of the Council.

Annual Governance Statement

xiv. Public Sector Internal Audit Standards – the Public Sector Internal Audit Standards (PSIAS) have been developed jointly by the relevant internal audit standard setters (RIASS) for local government which includes the Chartered Institute of Public Finance Accountants (CIPFA) and the Chartered Institute of Internal Auditors (CIIA). The PSIAS promote improvement in the professionalism, quality and effectiveness of Internal Audit. Internal Audit's work complies with the PSIAS.

- 4.2 St. Albans District Council has a clear statement of purpose and vision in its Corporate Plan and this is implemented through the corporate and service planning processes of the Council.
- 4.3 The Council's priorities provide the basis for the organisation's corporate, budget and service planning. All decision-making takes account of the vision and priorities – reports to Councillors always refer to them and how a particular issue will have an effect on them. Residents are made aware of them through reporting in the Council's newsheet (Community News), posters, leaflets, and the Council website.
- 4.4 Running the Council is a joint endeavour. The Council's policy is decided by Councillors, with advice from officers, based on community leadership and representation of the District's needs. The Council's strategies, setting out how those policies should be enacted are developed by Councillors and Officers working in partnership.
- 4.5 As well as the financial, legal and audit regulations in place, other arrangements for monitoring in the Authority include contract and procurement procedures plus whistle blowing, anti-fraud, bribery and corruption policies and procedures. Contracts over £250,000 are monitored in relation to contract procedures by the Audit Committee.
- 4.6 The Council has linked achievement of key targets as per the Corporate Plan to appraisal targets for all staff. A management competency framework provides clarity and consistency for management and leadership standards across the Council. This includes arrangements for mentoring and coaching as part of the core management skills.
- 4.7 The Council is open and accessible to the community, service users and its staff. Through its Constitution, Publication Scheme and Freedom of Information responses, and cultivation of a culture of openness. Information is made available to everyone who has a right to see it. There is a presumption of openness unless there is a need to preserve confidentiality, where it is proper and appropriate to do so, for example to protect commercial confidentiality, personal data or for legal reasons.

5. Review of Effectiveness

- 5.1 The Council has responsibility for conducting a review of the effectiveness of its governance framework including the system of internal audit. The review of effectiveness is informed by the work of officers within the Council who have responsibility for the development and maintenance of the governance environment and the Internal Audit Manager's annual report.

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

- Review of executive decision making by Scrutiny Committees;
- Review of Internal Audit activity by the Audit Committee;
- The Standards Committee monitors and reports annually to the Council on the operation of the Council's executive arrangements with regard to transparency and accountability; and
- Annual reporting to Council on the work of the Audit Committee.

5.3 The review of effectiveness is undertaken by assessing:

- The Internal Audit Department against the requirements of the PSIAS;
- The performance of the Audit Committee;
- Feedback forms which Internal Audit issue with every final report; and
- Performance Indicators.

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

- The work of the Council's officers who are responsible for the development and maintenance of the governance environment;
- The work of Internal Audit including the Annual Report of the Internal Audit Manager which provides assurance in this regard;
- The work of the Council's external auditor – including the annual Audit Result's Report and other reports in relation to financial and other aspects of the Council's governance;
- Review of Risk Registers and the Council's risk strategy; and
- Consideration of this document by the Deputy Chief Executive (Finance and Legal) and the Chief Executive with reference to the wider aspects of governance.

5.5 The PSIAS require that local government Internal Audit sections must be externally assessed at least once in every five-year period.

5.6 In line with good practice, Internal Audit should, on an annual basis, ensure it is compliant with the 2017 Public Sector Internal Audit Standards (PSIAS), notifying the Audit Committee of any areas of non-compliance. In November 2018 Internal Audit were externally assessed as being in "General Compliance" with the PSIAS. This is the highest level of compliance possible.

5.7 This is still the case as there have been no significant changes in the way Internal Audit is delivered or operates, and the Internal Audit Manager has not taken on any additional responsibilities that could compromise the service's independence and objectivity.

5.8 Furthermore, the Internal Audit team were Highly Commended in CIPFA's Public Finance Award 2019, in the Internal Audit Team of the Year. This further confirms the quality of the work undertaken by Internal Audit.

5.9 Compliance with the Council's Local Code of Corporate Governance is reviewed by Internal Audit on an annual basis.

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5.10 A comprehensive risk management process ensures that key operational and strategic risks across the Council are captured and reported to senior managers and the Audit Committee.

6. Internal Audit

6.1 Internal Audit undertake a risk-based analysis to determine the areas to be audited.

6.2 The Internal Audit Manager can meet with the Chair of the Audit Committee and the Chief Executive, should he consider the need to do so.

6.3 All Internal Audit reports are submitted to the Audit Committee for consideration.

6.4 The Audit Committee monitors the progress made by departments in implementing Internal Audit recommendations.

6.5 The Internal Audit Manager has regular meetings with the Deputy Chief Executive (Finance and Legal) and the Chief Executive where issues around (amongst others) risk management, corporate governance and health and safety are discussed.

6.6 Council's anti-fraud measures comply with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA 2014). This includes:

- Whistle Blowing, Anti Money Laundering and Anti-Fraud, Bribery and Corruption Policies;
- A Corporate Anti-Fraud Group;
- Anti-fraud training for staff;
- Officer and Member Codes of Conduct;
- Declaration of Interests;
- A qualified Anti-Fraud Officer (shared with another Council); and
- A Cyber Security Policy

6.7 The Council has strengthened its anti-fraud work using anti-fraud software and data analytics. The Council has:

- i. Procured Interactive Data Extraction and Analysis (IDEA) software. This is a Computer Assisted Audit Tool (CAAT) which enables very large amounts of data to be analysed for validity, indications of fraudulent activity, duplicate or erroneous payments or income which the Council has not received. This software will enable Internal Audit to undertake checks of a greater quantity of data than was previously possible;
- ii. Made use of Hooyu which is a powerful data matching tool allowing potential fraudulent activity to be identified;
- iii. Enhanced checks to identify fraudulent emails coming into the Council;
- iv. Put information on the website to help protect people against fraud.

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- 6.8 Internal Audit increased the amount of anti-fraud work during 2019-20 over the previous year. Internal Audit have developed an Anti-Fraud Plan and report on work undertaken to the Audit Committee.
- 6.9 In 2019-20 this anti-fraud work has led to the recovery of three houses valued at over £1 million that were subject to fraudulent activity. These properties will now be available to families waiting on the Council's housing register.
- 6.10 Our work on reducing Single Person Discount claims was also recognised in the Public Finance publication, which led to several councils contacting Internal Audit seeking our advice on how this had been achieved.
- 6.11 As Internal Audit's anti-fraud work has yielded positive results for the Council, more anti-fraud work will be undertaken during 2020-21.
- 6.12 The Council will ensure that sufficient capacity is available to fully deliver its Internal Audit plan on a timely basis and the Internal Audit Manager has put in place appropriate processes to ensure that the work undertaken by the section is in accordance with the Public Sector Internal Audit Standards.
- 6.13 Responsibility for corporate Risk Management has transferred from the Corporate Service Department to Internal Audit with effect from April 2020.

7. 2020-21 – COVID-19 Pandemic

- 7.1 The Council ended the previous, and entered the new, financial year in the midst of the COVID-19 pandemic. The Council is a Category 1 responder under the Civil Contingencies Act. As such it is required to keep critical services working and to support vulnerable people.
- 7.2 With the closure of all non-essential businesses and because of social distancing rules, staff from the Museums and the Charter Markets were furloughed. Apart from these the Council as had a full staff resource to continue providing services. The Council's response has been in accordance with guidance from the government including:
- i. Asking the majority of staff to work from home from the 24th of March;
 - ii. Redeploying a number of staff from their normal roles to assist with setting up and operation of a hub for Operation Shield and Operation Sustain. The hub is a key component to support extremely vulnerable individuals in the district with medical supplies, food parcels and social contact. Staff have also been helping with Communities First;
 - iii. Paying emergency and discretionary grants to local businesses on behalf of the government.
- 7.3 Internal Audit are assisting in the work for iii. above with pre and post payment checks.
- 7.4 There will inevitably be consequences, including financial ones, for the Council. All departments will need to reassess their risks and update their registers as necessary.

Annual Governance Statement

- 7.5 Internal Audit will work with management to understand and plan for longer term risks resulting from the current crisis to protect the Council and its services going forward.
- 7.6 Internal Audit will reassess the Annual Internal Audit Plan 2020-21, amend this as necessary and present this to the Audit Committee. It is important to note that the full effect of the COVID-19 pandemic on the Council and its services will not be known for some time yet, therefore the Internal Audit Plan and the Council's risk registers will need to be kept under review constantly.
- 7.7 In 2020-21 Internal Audit will monitor the progress made by departments to implement the agreed recommendations and report this to the Committee.
- 7.8 The Chief Executive's Board is proactive in monitoring the Council's risks on a weekly basis. Risk management and health and safety are standing items on the agenda of the Chief Executive's Board. Any emerging risks and health and safety issues can be raised here enabling management to formulate appropriate and timely actions to manage these.
- 7.9 An audit of the Council's risk management processes in 2018-19 led to the development of an assurance map. The assurance mapping exercise identifies where the Council obtains (or could get) assurance from external bodies regarding the services it provides. This informs the audit plan, the work of Internal Audit, and the annual opinion. The assurance map is kept under regular review and enhances the Council's management of risk.
- 7.10 The above steps enhance the management of risk within the Council.
- 7.11 Internal Audit staff were not redeployed within the Council and, along with most staff, worked from home. Internal Audit have continued with planned work. With regard to COVID-19 Internal Audit have:
- i. Assisted in small business and discretionary grant payments. The government announced emergency grants to help small businesses. The funds were provided to councils to administer their distribution. Internal Audit have assisted the relevant teams to design process and procedures and will undertake pre and post payments checks;
 - ii. Prepared a COVID-19 risk register which was presented to the Audit Committee;
 - iii. CIPFA's Finance Advisory Network issued guidance on the 8th of April "Conformance with the PSIAS during the Coronavirus Pandemic". The guidance states that "the primary concern of heads of internal audit will be to support their organisation and its functions together with concern for the wellbeing of their staff. They may also be worried that the decisions they take could lead to non-conformance with UK Public Sector Internal Audit Standards (PSIAS)". Internal Audit has complied with this guidance and can report that there has been no non-compliance with the PSIAS.

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8. Conclusions

- 8.1 There have been no significant governance issues identified in 2019-20.
- 8.2 In the period from April 2020 to the writing of this AGS, the Council has continued to operate within the corporate governance framework described at points 3 and 4 above. This has included:
- i. The Incident Management Team (consisting of the Chief Executive, Heads of Service and senior managers) holding meetings twice weekly (including one Sunday evening following an announcement from the Prime Minister) to review and co-ordinate the Council's activities;
 - ii. The Chief Executive holds weekly update meetings with leaders of the political groups, and more often with the Leader of the Council and members of the Cabinet. All Members are appraised of the Council's activities during the pandemic on a weekly basis;
 - iii. The Council's IT and Member Services section are to be commended for enabling committee meetings to be held virtually. This has included Full Council, Cabinet and the Audit Committee. This has enabled the Council to elect a Leader and maintain continuity, transparency and scrutiny of its activities.
 - iv. The Council prepared a COVID-19 risk register to specifically address risks that arose as a result of the pandemic. This is reviewed regularly by the Chief Executive Board and has been presented to, and scrutinised by, the Audit Committee.
- 8.3 The Council, as with others in the public sector, continues to face challenges in managing its finances through the next few years and needs to make savings. This situation has been exacerbated by the impact of COVID-19 which has seen the Council lose £150,000 of income per week since lockdown measures were introduced by the government.
- 8.4 The Council will therefore need to effectively manage its finances in order to minimise the risks of the Section 151 Officer (the Deputy Chief Executive – Finance) having to issue a Section 114 Notice.
- 8.5 The Council is undertaking many large capital projects for developing and renewing areas of St. Albans and for investment purposes. It has been reported that many businesses who have had staff working from home are thinking of continuing with this mode of working after the risks from COVID-19 have dissipated. Indeed, the Council, too, is considering its utilisation of the Civic Offices. The Council should therefore consider the demand for office space in the future and take account of this in its proposed capital projects.
- 8.6 With the majority of Council staff working from home (and this is likely to remain the long-term position), the risks to cyber security and, with the sharing of electronic documents, the risk of breaching data protection (GDPR) legislation should also be monitored. In terms of data security there was an item on the Team Brief of 28th May 2020, reminding staff to be extra vigilant when sending emails and sharing personal data. Data protection issues are regularly considered during

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Information Management Group (IMG) meetings. IMG members have discussed ways of reducing the risk of data breaches occurring, which will be shared with their teams. A data breach checklist has been circulated to IMG members to remind staff how to respond in the event of a data breach.

- 8.7 To reduce the risks from cyber-attacks all staff are working on corporately supplied equipment. Staff cannot use their own IT equipment to connect to the council's systems and are unable to print from home; USB access is restricted, and all internet and email usage is monitored. Homeworking is regularly externally tested for vulnerabilities. The Council has Cyber Security Plus Accreditation.
- 8.8 The Council should consider not just how savings can be made but also different models for income generation and service delivery.
- 8.9 The Council's track record in respect of dealing with funding reductions is good. Work is underway to meet these challenges. Further detail on this is included in the narrative section of the Statutory Accounts.
- 8.10 We will monitor the improvements and their operation as part of our next annual review. Subject to the above issues being addressed, we can provide an overall Substantial Assurance that St. Albans District Council's governance arrangements remain fit for purpose.
- 8.11 We will continue to review and adapt our governance processes so that they continue to support the Council in fulfilling its purpose and ensure that the framework remains proportionate to the risks that are faced.

Signed:

Leader of the Council

Amanda Foley
Chief Executive

Independent Auditor's Report

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GLOSSARY OF TERMS

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

Accounting Policies

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

Accounting Period

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

Accounts

Statements setting out records of income and expenditure.

Accrual

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

Actual Expenditure and Income

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

Actuarial Gains and Losses

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

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

Asset

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

Budget

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

GLOSSARY OF TERMS

Business Rates

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

Capital Expenditure

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

CFR – Capital Financing Requirement

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

Capital Receipts

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

Cash Equivalent

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

Central Services Charges (Support Services)

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

CIPFA

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

Code

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

Contingency

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

GLOSSARY OF TERMS

Collection Fund

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

Collection Fund Adjustment Account

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

Community Assets

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

Council Tax

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

Counter Party Lists and Limits

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

Creditor

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

Debtor

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

Depreciation

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

Exceptional Items

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

Expenditure

Amounts paid for goods and services received.

GLOSSARY OF TERMS

External Auditors

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

Fees and Charges

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

Final Accounts

Accounts prepared relating to an accounting period.

Financial Year (also referred to as Fiscal Year)

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

Financial Regulations

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

FRS – Financing Reporting Standard

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

General Fund

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

Going Concern

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

Government Grants

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

Gross (Expenditure/Income)

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

GLOSSARY OF TERMS

Housing Benefits

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

Housing Revenue Account (HRA)

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

IFRS – International Financial Reporting Standards

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

Impairment

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

Income

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

Infrastructure Assets

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

Inventories

Comprise the following categories

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

Investments

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

GLOSSARY OF TERMS

Liabilities

Amounts owed by the Council for goods or services received.

Liquid Resources

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

Local Authority Business Growth Initiative (LABGI)

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

Minimum Revenue Provision (MRP)

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

Net (Expenditure/Income)

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

Non-Current Assets

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

Operational Assets

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

Outturn

Actual expenditure and income for the whole financial year.

Performance Plan

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

Post Balance Sheet Events

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

GLOSSARY OF TERMS

Precepts

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

Provisions

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

Public Works Loan Board (PWLB)

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

REFCUS – Revenue Expenditure Funded from Capital Under Statute

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

Related Party Transactions

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

Rent Allowances

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

Rent Rebates

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

Reserve

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

Revenue Expenditure

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

Revenue Support Grant

Central Government Grant towards the cost of Local Council Services.

GLOSSARY OF TERMS

Specific Grant

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

Total Cost

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

Trading Account

A statement detailing expenditure and income for a discrete activity.

Variance

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