



St Albans
City & District Council

Statement of Accounts 2011/2012

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Explanatory Foreword to the Statement of Accounts

1. Introduction

We are pleased to present the Statement of Accounts for St Albans City and District Council for 2011/2012.

The purpose of the Statement of Accounts is to provide information on how the Council has utilised available financial resources during the year and its financial position at the end of the year. The accounts for the year ended 31 March 2012 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (The Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). In England and Wales, The Code constitutes a “proper accounting practice” under the terms of Section 21(2) of the Local Government Act 2003.

The accounts are set out in pages following the Explanatory Foreword

This foreword has been written to provide a better understanding of the significant matters reported in the accounts.

The Council’s Statement of Accounts consists of:

Core Financial Statements

- **Movement in Reserves Statement (MIRS)** – This statement shows the movement in the year on 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.
- **Comprehensive Income and Expenditure Statement (CI&E)** – a summary of the resources generated and consumed by the Council in the year in a format compliant with International Financial Reporting Standards (IFRS).
- **Balance Sheet (BS)** – shows the Council’s balances, reserves and long term indebtedness at the financial year end, and the non-current and net current assets employed in its operations.
- **Cash Flow Statement (CFS)** – shows the changes in cash and cash equivalents arising from transactions with third parties for revenue and capital purposes.

Supplementary Statements

- **The Housing Revenue Account (HRA) Income and Expenditure Account and Statement of Movement on the HRA Balance** - reflects a statutory obligation to maintain a revenue account for the provision of 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 Herfordshire County Council and Hertfordshire Police Authority.

Explanatory Foreword to the Statement of Accounts

- **Statement of Responsibilities for the Statement of Accounts** – this outlines the responsibilities of the Council and the Deputy Chief Executive (Finance) with respect to the Statement of Accounts.

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.

2.1 General Fund results compared to budget

The council plans for a balanced General Fund budget. That is, it expects expenditure to be fully met by income. The table below shows the major variances giving rise to a surplus of £917,000 that has been added to General Fund reserves.

| | notes | 2011/2012 £'000 |
|---|-------|--------------------|
| Budget The council budgets for a balanced budget | | - |
| Income Variances: | | |
| New homes bonus | i | (248) |
| Housing Benefit Grant | ii | (343) |
| Land Charges income | iii | (101) |
| Favourable Income Variances | | (692) |
| Expenditure Variances | | |
| Redundancies | iv | (177) |
| Projects not undertaken | v | (150) |
| HR support services | vi | (99) |
| Planning Services | vii | 412 |
| Transport subsidies | viii | (111) |
| Budgets carried forward to 2012-13 | ix | (126) |
| Net other variances | | 26 |
| Favourable Expenditure Variances | | (225) |
| Total Favourable Variances | | (917) |
| Increase in the General Fund Balance | | (917) |
| General Fund surplus brought forward | | (3,702) |
| General Fund surplus carried forward | | (4,619) |

Explanatory Foreword to the Statement of Accounts

- i. The New Homes Bonus Grant received exceeded the original budget by £248,000. The Government provides additional funding for new homes by match funding the additional council tax raised for new homes and empty properties brought back into use, with an additional amount for affordable homes. The final grant determination was announced after the original budget was approved for 2011-2012.
- ii. Recovery of overpaid benefits was higher than expected, which results in benefit income being higher than benefit spend.
- iii. Land charges income was £101,000 in excess of the budget as, despite the economic downturn, the level of housing sales remained high within the district.
- iv. An under spend on the budget for staff redundancies because many staff were successfully deployed into other posts within the Council.
- v. A budget cut on projects, which was made by the new administration elected during 2010-2011 as it redefined the Council's priorities.
- vi. The cost of human resources support services was reduced. This was primarily staff training which was curtailed as a consequence of the Council's organisational development programme. This will be reprovided in future years.
- vii. The cost of the planning service (development management) exceeded the budget. This was a consequence of additional expenditure approved by Cabinet to reduce the back-log of planning applications, the shortfall in planning fee income and the non achievement of the target budget saving in this service.
- viii. The cost of transport (subsidies to bus routes and transport initiatives) was less than the budget as a result of the early implementation of the organisation restructure and lower than budgeted transport subsidy costs from Hertfordshire CC.
- ix. Costs of some projects (e.g. local services hub and the community panel) have been postponed until 2012-13.

Explanatory Foreword to the Statement of Accounts

2.2 HRA results compared to budget

The following table shows the major variances between the budgeted HRA surplus and the actual surplus for the year. The table shows that the Council's net spending for 2011/2012 was £439,000 less than originally budgeted resulting in a closing HRA reserves balance of £2,128,000.

| | notes | 2011/2012 £'000 |
|---|----------|--------------------|
| Budgeted HRA surplus | | (137) |
| Income Variances: | | |
| Rent and other charges to tenants | | 58 |
| Other rents | | (125) |
| Interest | | (41) |
| Favourable Income Variances | i | (108) |
| Expenditure Variances | | |
| Supervision and Management | ii | 326 |
| Repairs and Maintenance | iii | 521 |
| Contribution to capital enhancements | iii | (1,300) |
| Rents written off | iv | 127 |
| Housing Self financing costs | v | 125 |
| Net other variances | | 7 |
| Favourable Expenditure Variances | | (194) |
| Total Favourable Variances | | (302) |
| Actual HRA surplus | | (439) |
| HRA surplus brought forward | | (1,689) |
| HRA surplus carried forward | | (2,128) |

- i. The income variance is around 0.4% of the income budget of £24.8 million.
- ii. The variance relates to recharges of overhead costs, including redundancy costs.
- iii. The repairs variance is due to changes in the capital programme which reduced the amount of revenue funding required. There was an increase in responsive repairs due to an increase in repairs required on void properties and a reallocation of items from the capital programme to repairs.
- iv. Former tenant arrears were investigated and a large amount were found to be uncollectable and therefore written off.
- v. Self Financing for Housing was introduced on 1st April 2012. However, there were costs for implementation that occurred during March 2012 and these costs were not in the original budget.

Explanatory Foreword to the Statement of Accounts

3. Changes to the Statement of Accounts

There have been some changes to the Statement of Accounts for 2011/12. These changes have been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory board.

The main changes are summarised below:

3.1 Heritage Assets

A heritage asset is an asset with historical, cultural, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. The Accounting Code requires the Council for the first time in 2011/12 to carry heritage assets on the Balance Sheet at valuation and restate the accounts for 2010/11 for comparative purposes. The Council has identified heritage assets with a total value of £5.2 million as at 1 April 2011 including:

- Museum exhibits
- Civic Regalia
- Clock Tower
- Sculptures
- Silver artifacts

Most of the assets have an indeterminable life and cannot be depreciated.

Measurement

Heritage assets are carried at valuation rather than fair value, reflecting the fact that changes are uncommon. All our Heritage assets are stated at insurance replacement cost.

Disclosure requirement

The code requires a change in accounting policy and a production of opening balance sheet values where changes are material. The council has adopted this policy; this has had a major effect on both our balance sheet and statement of movement in reserves.

Effect of Change of Accounting policy

The 'net worth' of the Council balance sheet has increased by £5.2million

See Note 43 for full details of impact on the closing and opening balance sheet

3.2 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. An updated definition of 'related party' has been noted and adopted in the accounts

3.3 Exit Packages

Additional disclosures for exit packages are required and notes include compulsory and voluntary redundancy costs, pension contribution in respect of added years, ex gratia payments and other departure cost. All these have been adopted by the council.

Explanatory Foreword to the Statement of Accounts

3.4 Soft loans

Where material, the Code requires separate disclosure of the carrying amount of soft loans granted by the Council.

The Council has reviewed and made the changes where necessary.

4 Significant Events

4.1 Housing Self Financing

Following a reform of housing finance, the government introduced Housing Self Financing (HSF) with effect from 28th March 2012. The aim of HSF is to put all local authorities in a position where they can manage their homes from their own income and it is intended to provide stability of funding so that local authorities can plan for the long term. It amounts to a full and final settlement that ends the annual funding relationship with Central Government.

From 1st April 2012 the Housing Revenue Account (HRA) will keep all its rent income in exchange for taking on a once off debt with the government and the present annual redistribution of rental income through the Housing Subsidy System ceased at 31 March 2012. The debt was calculated as the amount that future net rents less "sustainable" management and maintenance costs could pay off. The opening debt for the Council was assessed at £175.9 million. Fixed rate loans at favourable rates repayable between and years were taken out with the Public Works Loans Board (PWLB) and the amount paid to government on 28th March 2012.

The code requires that the loan payment is shown as expenditure in the HRA and as it is such a large number it has been shown separately as an exceptional item on the face of the Comprehensive Income & Expenditure Statement. As the debt payment is not a charge to tenants (or Council Tax payers), the amount has been reversed out to the Capital Adjustments Account via the Movement in Reserves Statement. This is done in the line 'Adjustments between accounting basis and & funding basis under regulations line' details of which are in note 7. The net impact on council tenants and Council Tax payers is therefore nil.

The effect on the balance sheet is an increase in loans payable and an equal but opposite increase in the Capital Adjustment Account.

4.2 Borrowings

As discussed in 4.1 above, £175.9 million was borrowed to repay the HSF debt. In line with the government's HSF objective of making the HRA a stand alone 'business', the HRA borrowed an additional £10.2 million from the PWLB to repay an equivalent value internal loan from the General Fund. (The internal loan arose in 2002 from the General Fund repaying high interest rate HRA loans early).

Also, an existing PWLB loan of £1.5 million and an additional £3.5 million in year borrowings from the PWLB were taken to fund short term HRA capital expenditure requirements making total HRA borrowings £191.1 million.

Explanatory Foreword to the Statement of Accounts

| Borrowings | 31 March 2012 £'million |
|---|--|
| HSF debt repayment | 175.9 |
| Convert internal loan to external loan (relating to previous capital expenditure) | 10.2 |
| Loans to fund short term capital expenditure requirements | 5.0 |
| Total HRA PWLB Borrowings | 191.1 |

4.3 Redundancy

During the year a charge of £610,076 relating to redundancies was made to the Cost of Services. The cost of the redundancies was met from a sinking fund, which was set up to cater for Human Resource changes.

5. Accounting Policies

The Council's Accounting Policies are set out following the Core Financial Statements. The major changes to the Council's Accounting Policies since the previous Statement of Accounts was produced for 2010/11 are in respect of the Code 2011, and the main item relates to Heritage Assets (referred to earlier in the Foreword); any major changes have been added to Accounting Policies under the relevant headings.

These have been made following a review of the latest Code Guidance Notes for Practitioners for the 2011/12 Accounts issued by CIPFA.

6. Collection Fund

The council collects council tax for itself and also on behalf of Hertfordshire County Council and Hertfordshire Police Authority and Non-Domestic Rates are collected on behalf of the Government. The Collection Fund records the income from Council Tax and Non-Domestic Rates and its distribution.

As at 31 March 2012, the Collection Fund had a surplus of £1,197,000, (2010/11 surplus £879,000), reflecting an in-year surplus of £318,000. The in-year surplus is mainly due to a better than forecast Collection Fund balance at 31 March 2012 offset by an overall increase in the Provision for Bad Debts in 2011/12. The council's share of the surplus of £1,197,000 is £167,000, and will be taken into account when setting 2013/14 Council Tax levels.

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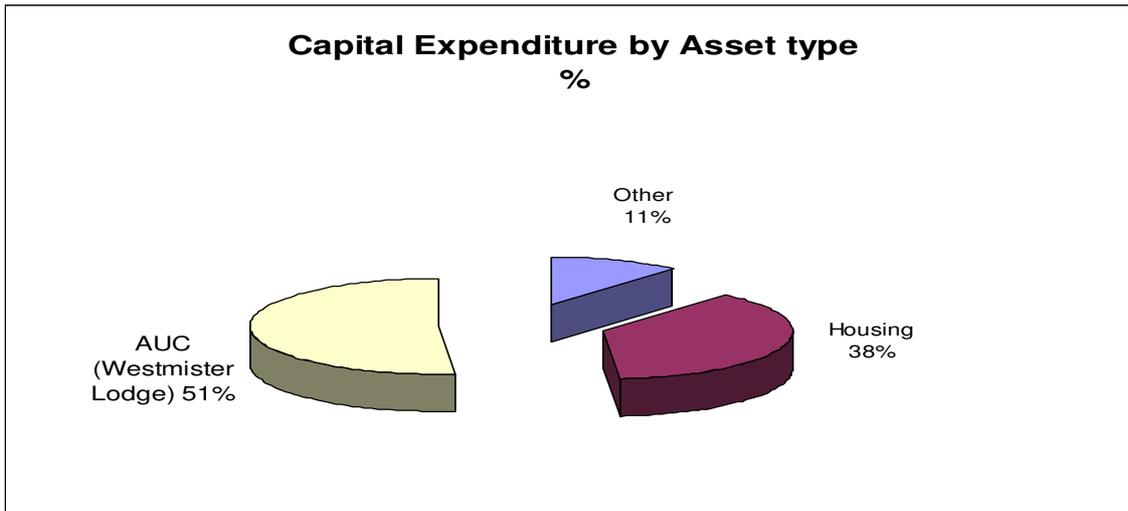
7. Capital

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 2011/12.

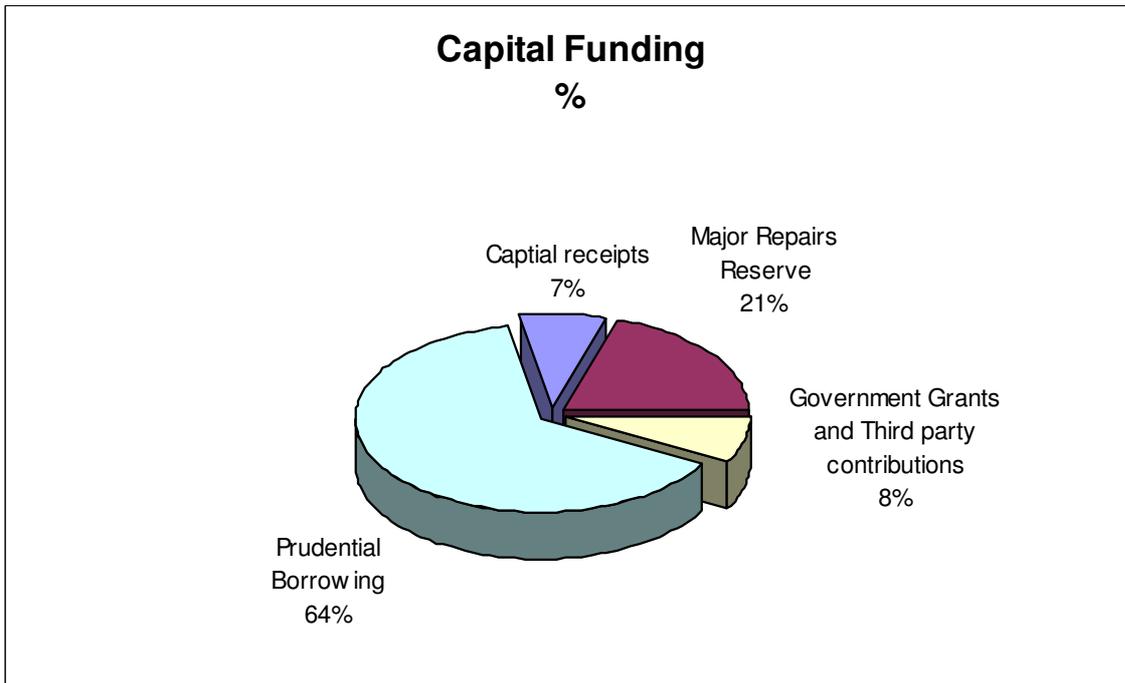
| CAPITAL PROGRAMME | 2011/12 | 2010/11 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Intangible | 145 | 202 |
| Infrastructure | 121 | 253 |
| Property, plant and equipment | 585 | 947 |
| Refcus* | 847 | 922 |
| Housing | 7,235 | 6,515 |
| Asset under construction (Westminster Lodge Centre) | 9,891 | 926 |
| Assets held for sale | 467 | - |
| Total | 19,292 | 9,765 |
| This Capital Programme was financed as follows: | | |
| | £'000 | £'000 |
| Capital receipts | 1,424 | 923 |
| Major repairs reserve | 3,962 | 1,783 |
| Government grants and third party contributions | 1,531 | 5,141 |
| Prudential borrowing | 12,375 | 1,918 |
| Total | 19,292 | 9,765 |
| APPROVED CAPITAL EXPENDITURE FOR THE FOLLOWING YEARS IS: | | |
| | 2012/13 | 2013/14 |
| | £'000 | £'000 |
| General Fund | 13,118 | 1,100 |
| Housing investment programme (HIP) | 13,152 | 13,152 |
| Total Capital Expenditure | 26,270 | 14,252 |
| Financed by: | | |
| Borrowing requirements | 4,631 | - |
| Revenue contribution from the HRA | 9,756 | 10,824 |
| Grants and contributions | 1,873 | 521 |
| Capital reserves / receipts | 9,610 | 2,357 |
| Other funding | 400 | 550 |
| Total | 26,270 | 14,252 |

*Refcus: Revenue expenditure funded from capital under statute. This is expenditure of a capital nature that does not result in an asset belonging to the council, for example home improvement grants and contributions to housing associations.

Explanatory Foreword to the Statement of Accounts



The council embarked on the development of a new leisure facility at Westminster lodge in 2010. £9.8million was spent in 2011/12, which represents approximately 52% of the total capital spend by type. The council continues to make improvements to its housing stock. A breakdown listing housing additions is shown on page 100.



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8. Pensions

The Pensions Liability in the Balance Sheet reflects the underlying commitments that the Council has in the long term to pay retirement benefits. Overall, the pension fund deficit has increased by £9.74 million during the year to £43.26m (2010/11 £33.52m). This is because of the impact of unfavourable actuarial assumptions and poorer than expected asset returns over the year. The pension liability has a significant effect on the net worth of the council, however statutory arrangements for funding the deficit mean the financial position of the Council is not adversely affected. Detailed information on the performance of the Pension Fund is set out in the Core Financial Statements.

The latest triennial actuarial valuation of the assets and liabilities of the council's share of Hertfordshire County Council's Pension Fund was completed as at the 31 March 2012. A revised common rate of employer's contribution will commence on 1 April 2013, taking into account the net pension liability disclosed above.

9. The Impact of the National Economy

Unsurprisingly given the general economic situation, the external environment for the Council's finances remains uncertain.

It is likely that there will be further reductions in Central Government funding (though for the council this represents a lower proportion of funds than for most authorities).

We expect an inflationary increase in our costs over the next few years and have included in our medium term plan an inflation factor for non-payroll costs of 2% per annum.

The Government's proposals to localise Business Rates introduce a risk of funds being lower than expected, though this is fairly well cushioned by the proposed system.

The overall impact is that the Council will continue to need to make savings to deliver its services within the money available. The Council's record on identifying and implementing savings, and keeping within budget is good, (and this is on track for 2012/13) and plans are underway to deliver the savings needed in subsequent years.

10. 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. A glossary of terms explaining some of the main accounting terms and phrases used in the Statement of Accounts is included at page 120.

Statement of Responsibilities for the Statement of Accounts

St Albans City and District Council's responsibilities

The Deputy Chief Executive (Finance)'s responsibilities

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

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

- 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.

This Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date, and of its expenditure and Income for the year ended 31 March 2012.

C O'Callaghan
Deputy Chief Executive (Finance)

Date: 28th June 2012

St Albans City and District Council is required to:

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

The accounts were submitted to and approved by the Audit Committee on

I confirm that these accounts were approved at the meeting held on:

Councillor C White
Chair of the Audit Committee

Date: 26th September 2012

Movement in Reserves Statement 2011-2012

This statement shows the movement in the year on the different reserves held by the council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'surplus or (deficit) on the provision of services' line shows the true economic cost of providing the council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The 'net increase/decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

| | General Fund Balance | Earmarked General Fund Reserves | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital grants Unapplied | Total Usable Reserves | Unusable Reserves (restated) (note 23) | Total Council Reserves |
|---|----------------------------|--|-------------------------------|--------------------------------|-----------------------------|--------------------------------|-----------------------------|---|------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 31 March 2011 | 3,702 | 1,605 | 1,689 | 8,405 | 25 | 2,319 | 17,745 | 414,982 | 432,727 |
| Movement in reserves during 2011/12 | | | | | | | | | |
| Surplus or (deficit) on the provision of services | (5,901) | - | (188,433) | - | - | - | (194,334) | - | (194,334) |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | - | - | 4,281 | 4,281 |
| Total Comprehensive Income and Expenditure | (5,901) | - | (188,433) | - | - | - | (194,334) | 4,281 | (190,053) |
| Adjustments between accounting basis & funding basis under regulations (note 7) | 7,010 | - | 188,872 | (1,124) | (25) | (181) | 194,552 | (194,552) | - |
| Net Increase/Decrease before Transfers to Earmarked Reserves | 1,109 | - | 439 | (1,124) | (25) | (181) | 218 | (190,271) | (190,053) |
| Transfers to/from Earmarked Reserves (note 8) | (192) | (262) | - | 630 | - | (176) | - | - | - |
| Increase/Decrease in 2011/12 | 917 | (262) | 439 | (494) | (25) | (357) | 218 | (190,271) | (190,053) |
| Balance at 31 March 2012 carried forward | 4,619 | 1,343 | 2,128 | 7,911 | - | 1,962 | 17,963 | 224,711 | 242,674 |

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

Movement in Reserves Statement 2010-2011

| | General Fund Balance | Earmarked General Fund Reserves | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital grants Unapplied | Total Usable Reserves | Unusable Reserves (restated) (note 23) | Total Council Reserves |
|---|----------------------------|--|-------------------------------|--------------------------------|-----------------------------|--------------------------------|-----------------------------|---|------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 31 March 2010 | 2,362 | 1,124 | 1,180 | 8,056 | 1,277 | 2,898 | 16,897 | 479,265 | 496,162 |
| Movement in reserves during 2010/11 | | | | | | | | | |
| Surplus or (deficit) on the provision of services | 7,444 | - | (99,030) | - | - | - | (91,586) | - | (91,586) |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | - | - | 28,124 | 28,124 |
| Total Comprehensive Income and Expenditure | 7,444 | - | (99,030) | - | - | - | (91,586) | 28,124 | (63,462) |
| Adjustments between accounting basis & funding basis under regulations (note 7) | (5,921) | - | 99,539 | 349 | (1,258) | (300) | 92,409 | (92,409) | - |
| Net Increase/Decrease before Transfers to Earmarked Reserves | 1,523 | - | 509 | 349 | (1,258) | (300) | 823 | (64,285) | (63,462) |
| Transfers to/from Earmarked Reserves (note 8) | (183) | 480 | - | - | 6 | (279) | 24 | 2 | 26 |
| Increase/Decrease in 2010/2011 | 1,340 | 480 | 509 | 349 | (1,252) | (579) | 847 | (64,283) | (63,436) |
| Balance at 31 March 2011 carried forward | 3,702 | 1,604 | 1,689 | 8,405 | 25 | 2,319 | 17,744 | 414,982 | 432,726 |

The opening balance on Unusable Reserves has been restated to reflect the change to the Capital Adjustment Account on bringing £5.2 million of Heritage Assets onto the balance Sheet.

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

| Gross Exp. 2010/2011 £'000 | Gross Income 2010/2011 £'000 | Net Exp. 2010/2011 £'000 | | Gross Expenditure 2011/2012 £'000 | Gross Income 2011/2012 £'000 | Net Expenditure 2011/2012 £'000 |
|----------------------------------|---------------------------------------|--------------------------------|---|--|---------------------------------------|--|
| | | | Central Services | | | |
| 6,641 | (6,712) | (71) | Council Tax benefit payments | 6,614 | (6,688) | (74) |
| 3,049 | (1,235) | 1,814 | Other central services | 3,031 | (1,095) | 1,936 |
| 6,125 | (934) | 5,191 | Cultural and Related Services | 8,087 | (1,641) | 6,446 |
| 8,676 | (2,640) | 6,036 | Environmental and Regulatory Services | 8,096 | (2,325) | 5,771 |
| 4,739 | (1,749) | 2,990 | Planning and Development Services | 4,315 | (1,610) | 2,705 |
| 2,886 | (2,368) | 518 | Highways and Transport Services (i) | 2,777 | (2,104) | 673 |
| | | | Housing Services | | | |
| 27,399 | (27,387) | 12 | Housing benefit payments | 29,564 | (29,622) | (58) |
| 2,106 | (620) | 1,486 | Other housing services (ii) | 2,013 | (638) | 1,375 |
| 29,283 | (23,689) | 5,594 | Local Authority Housing (HRA) (iii) | 32,127 | (25,272) | 6,855 |
| 93,373 | - | 93,373 | HRA impairment (iv) | 6,650 | - | 6,650 |
| - | - | - | Housing Self Financing charge (v) | 175,916 | - | 175,916 |
| 3,084 | (173) | 2,911 | Corporate and Democratic Core | 2,993 | (928) | 2,065 |
| - | (10,955) | (10,955) | Non distributed Costs | 475 | - | 475 |
| 187,361 | (78,462) | 108,899 | Cost of Services | 282,658 | (71,923) | 210,735 |
| | | 4,453 | Other operating expenditure | note 9 | | 1,859 |
| | | 1,488 | Financing and investment income and expenditure | note 10 | | 906 |
| | | (23,254) | Taxation and non-specific grant income | note 11 | | (19,166) |
| | | 91,586 | (Surplus) or Deficit on Provision of Services | | | 194,334 |
| | | (7,519) | Surplus or deficit on revaluation of property, plant and equipment assets | | | (13,268) |
| | | (15,410) | Actuarial (gains)/losses on pension | note 38 | | 8,987 |
| | | (22,929) | Other Comprehensive Income and Expenditure | | | (4,281) |
| | | 68,657 | Total Comprehensive Income and Expenditure | | | 190,053 |

Comprehensive Income and Expenditure Statement

- i The Council is not a highways authority and therefore not responsible for the upkeep of roads in the district. This heading includes costs and income relating to car parks, public transport subsidies, roadside furniture and the depreciation of related assets.
- ii Other housing services include home renovation grants, costs of caring for homeless people and the cost of administering housing benefits.
- iii The Housing Revenue Account is a ringfenced account for council tenants, which has a separate section in the Financial Statements.
- iv The exceptional material item in 2010/11 arose from a change in split between land and buildings in the valuation of housing property resulting in a material downward valuation of property.
- v The exceptional material item in 2011/12 relates to the payment to the government of the debt established under Housing Self Financing (note 5.1).

Balance Sheet as at 31 March 2012

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Council. 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 April 2010 Restated £'000 | 31 March 2011 Restated £'000 | | Note | 31 March 2012 £'000 |
|--------------------------------------|---------------------------------------|------------------------------------|------|---------------------------|
| 540,340 | 447,255 | Property Plant and Equipment | 12 | 454,154 |
| 5,194 | 5,194 | Heritage Assets | 13 | 5,194 |
| 8,128 | 8,053 | Investment property | 14 | 7,832 |
| 487 | 526 | Intangible Assets | 15 | 459 |
| 1 | 1 | Long term investments | 16 | 1 |
| 406 | 339 | Long term debtors | 16 | 176 |
| 554,556 | 461,368 | Long Term Assets | | 467,816 |
| 1,014 | 1,004 | Short Term Investments | 16 | 7,578 |
| - | - | Assets Held for Sale | 20 | 841 |
| 69 | 56 | Inventories | 17 | 51 |
| 5,075 | 6,191 | Short Term Debtors | 18 | 3,665 |
| 7,654 | 7,979 | Cash and Cash equivalents | 19 | 6,440 |
| 13,812 | 15,230 | Current Assets | | 18,575 |
| - | (1,000) | Short Term Borrowing | 16 | - |
| (6,210) | (7,377) | Short Term Creditors | 21 | (8,765) |
| (6,210) | (8,377) | Current Liabilities | | (8,765) |
| (58,815) | (33,517) | Pension Liability | 38 | (43,265) |
| (1,500) | (1,500) | Long term borrowing | 16 | (191,076) |
| (325) | (175) | Other Long term Liabilities | | (26) |
| (162) | (303) | Capital Grants Receipts in Advance | 33 | (586) |
| (60,802) | (35,495) | Long Term Liabilities | | (234,953) |
| 501,356 | 432,726 | Net Assets | | 242,673 |
| 16,897 | 17,744 | Usable Reserves | 22 | 17,964 |
| 484,459 | 414,982 | Unusable reserves | 23 | 224,709 |
| 501,356 | 432,726 | Total reserves | | 242,673 |

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.

| 2010/2011 £'000 | | Notes | 2011/2012 £'000 |
|--------------------|---|-------|--------------------|
| (91,586) | Net surplus or (deficit) on the provision of services | | (194,334) |
| 264,174 | Adjustment to net surplus or deficit on the provision of services for non-cash movements | 24 | 173,356 |
| (166,875) | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 25 | (152,436) |
| 5,713 | Net cash flows from Operating Activities | | (173,414) |
| (5,965) | Investing Activities | 26 | (21,844) |
| 577 | Financing Activities | 27 | 193,719 |
| 325 | Net increase or decrease in cash and cash equivalents | | (1,539) |
| 7,654 | Cash and cash equivalents at the beginning of the reporting period | | 7,979 |
| 7,979 | Cash and cash equivalents at the end of the reporting period | | 6,440 |

Notes to the Accounts

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2011-12 financial year and its position at the year-end 31 March 2012. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2011, which require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom and the Best Value Accounting Code of Practice 2011-12 supported by International financial Reporting Standards (IFRS).

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

1.2 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet. The exceptions to this rule are energy payments (*e.g. electricity, gas, etc.*) and similar quarterly payments, which are charged at the date of meter readings rather than being apportioned between financial years and rental income, where credit is taken according to rental periods. The policy is consistently applied each year and therefore does not have a material effect on any one-year's accounts.
- Interest 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 received 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 revenue for the income that might not be collected.

Notes to the Accounts

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three calendar months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.4 Exceptional Items

Where items of income and expenditure are material, their nature and amounts are disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement, or in the notes to the accounts, depending on how important they are to an understanding of the Council's financial performance.

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

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

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

Material errors discovered in prior period 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 the 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

Notes to the Accounts

1.6 cont. 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 Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.7 Employee Benefits

1.7a Benefits Payable During Employment

Short-term employee benefits are those falling due 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 employees but not taken before the year-end, which employees can carry forward into the next financial year, consists mainly of untaken leave. The Council has a policy of not carrying forward leave except in exceptional circumstances and therefore the value of untaken leave at year end is not material to the accounts and no accrual is made.

1.7b Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the Non-Distributed Costs line in the Comprehensive income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

Notes to the Accounts

1.7c *The Local Government Pension Scheme*

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

- The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to the retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices using a discount rate of 6.9% real (based on the indicative rate of return on high-quality corporate bond (ibovx Sterling Corporate Index, AA over 15 years).

- The assets of the Hertfordshire Local Government Pension Fund attributable to the Council are included in the balance sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value

- The change in the net pensions liability is analysed into seven components:
 - Current service costs – increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked;
 - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
 - Interest costs – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement;
 - Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.
 - Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

Notes to the Accounts

- 1.7c
cont.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses;
 - Contributions paid to the Hertfordshire Local Government Pension Fund – cash paid as employer’s contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end. 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. Two types of events 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 most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

1.9b Financial Assets

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

Loans and Receivables

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

Notes to the Accounts

1.9b *Soft Loans*

cont. Soft loans are loans made at less than market rates. The Council has made loans to employees relating to the assisted car purchase scheme, the bicycle purchase scheme and the travel season tickets scheme, which fall into this category. The value of loans at the year end totalled £12,912 (2011 £32,766) which is considered immaterial to the accounts and therefore adjustments have not been made to the carrying values. £7,538 (2011 £25,712) relating to car purchase loans is disclosed under long term debtors and the balance of £5,374 (2011 £7,054) is disclosed under short term debtors.

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.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenues funding. ABG is non-ring fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Notes to the Accounts

1.11 Heritage Assets

Tangible and Intangible Heritage Assets

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

An intangible heritage asset is an intangible asset with cultural, environmental or historical significance. Examples of intangible heritage assets include recordings of significant historical events.

Tangible Heritage Assets

Heritage Property is often operational, for example the Town Hall. Property Heritage Assets that are operational are not separately identified and are included in the appropriate Property Plant and Equipment category.

Property Heritage Assets that are not operational will be identified separately on the face of the balance sheet and will follow the accounting treatment applied to PPE Assets of their type.

St Albans District Council Heritage Assets can be categorised as follows:

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

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. These assets are included in the appropriate Property Plant and Equipment or Investment Property category.

Property heritage assets that are not operational will be identified separately on the face of the balance sheet as 'Heritage Assets'. The asset will be 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 *Artifacts*

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

Notes to the Accounts

1.11c *Sculptures and War Memorials*

These assets will be valued for balance sheet purposes at insurance values (replacement cost). The values are reviewed every five years.

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

1.11d *Civic Regalia and Chains of Office*

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

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

1.11e *Ancient Walls and Ruins*

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

The Council has made appropriate disclosures for these assets not recognised on the balance sheet

1.12 **Intangible Assets**

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

Internally generated assets are capitalised when it is demonstrable that the project is technically feasible and it is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase. Research expenditure cannot be capitalised.

Expenditure on the development websites is not capitalised unless the development is for a business purpose, when it would be capitalised.

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

Notes to the Accounts

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund balance. The gains and losses are therefore reversed out of General Fund balance in the Movement of reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.13 Inventories

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

1.14 Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are re-valued 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 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 £10,000) the Capital Receipts Reserve.

Notes to the Accounts

1.15 Jointly Controlled Operations and Jointly Controlled Assets

The Council is one of five contributing to the operations of the West Hertfordshire Crematorium Joint Board. The Council's share of the activity is considered to be immaterial, and is disclosed by 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.

1.16 Leases

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

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

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

1.16a The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

Notes to the Accounts

1.16a cont. The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenues funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

1.16b The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset 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 as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Notes to the Accounts

1.16b cont. The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

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 (eg 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.

1.17 Overheads and Support Services

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

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

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

Notes to the Accounts

1.18 Property, Plant and Equipment

Assets that have physical substance and are held for use in the 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 £10,000) unless the items can be grouped together to create an asset group of over £10,000, for example computer equipment. Items not capitalised are charged as an expense when incurred.

1.18a Recognition

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

1.18b Measurement

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – fair value determined using the basis of existing use value for social housing (EUV-SH)
- Vehicles, plant and equipment – historical cost is used as a proxy for fair value on the grounds of materiality.
- All other assets – fair value determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

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

Notes to the Accounts

1.18b cont. Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying value is not materially different from their fair value at the year-end, but as a minimum every five years. This may be done on a rolling basis (say 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. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

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

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

1.18c Impairment

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

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

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

Where an impairment loss is reversed subsequently, 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.

Notes to the Accounts

1.18d Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie 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 and equipment – straight-line allocation over the useful life of the asset.
- Infrastructure – straight-line allocation over the useful life of the asset as advised by a suitably qualified officer.

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

Depreciation is not charged in either the year of acquisition or in the year of disposal.

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.

1.18e Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. 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 losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. The Council considers that assets sold under 'Right to Buy' legislation become surplus on the day of 'completion' and therefore they are not at any time considered as 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. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

Notes to the Accounts

1.18e cont. When an asset is disposed of or decommissioned, the carrying amount of the asset 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 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 £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

1.19 Provisions

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

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the estimation of likely settlement. 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 separately disclosed against debtors on the Balance Sheet and are not included in the provisions figure. Known uncollectible debts have been written off.

Notes to the Accounts

1.20 Contingent Liabilities

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

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

1.21 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Surplus or Deficit on the Provision of Service in the Net Cost of Services in the Comprehensive Income and Expenditure Statement. The 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 the expenditure.

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

1.22 Revenue Expenditure funded from Capital under Statute

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

1.23 Value Added Tax (VAT)

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

Notes to the Accounts

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

IFRS 7 'Financial Instruments: Disclosures' has been amended with an effective date of 1 July 2011 but we are not required by the Code to implement the amended disclosure requirement until 1 April 2012. Implementation of the changes will result in a change in accounting policy from 1 April 2012.

The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets, including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Following a review of the Authority's financial assets and liabilities at 31 March 2012, it is considered unlikely that the IFRS 7 accounting standard will have a material impact on the financial statements of the Council.

3. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgments about complex transactions or those involving uncertainty about future events. The critical judgments made in the Statement of Accounts are:

3.1 Changes to Levels of Funding for Local Government

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.

3.2 Self Financing of Council Housing (see Notes to the accounts 5.1 for further details)

A major complex transaction involved the payment of £175.9 million to the Government to secure the future self financing of the Council's Housing stock.

The profile of the debt taken on to enable payment was determined using a 30 year Business Plan that made estimates of future rental income streams, costs and inflation. The sustainability of the HRA depends on the Council being able to manage any significant variation in these estimates.

The Housing Revenue Account was charged with the payment to HM Government, and this was adjusted in the Movement in Reserves Statement.

Notes to the Accounts

3.3 Componentisation of Fixed assets

Where Assets have significant components with materially different lives we have grouped components with similar lives together and applied an estimated depreciation rate to each group. Taking for example a council house, the house structure and pitched roof are in one component group and they have a significantly longer useful life than kitchens and bathrooms, which are in another component group.

The land and structure of the building are the elements that benefit from any revaluation gain.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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 £8.6 million per year on the housing stock, and undertakes major repairs and maintenance which will be able to sustain assumptions made regarding the useful lives assigned to assets. The non-Council Housing programme of capital works and long term maintenance programme will reduce as the assets are brought up to a good standard.

If however, the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that if the annual depreciation charge for assets were to increase by 1% the extra charge would amount to £537,000.

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 pensions liability of changes in individual assumptions cannot be measured accurately. The assumptions interact in complex ways. During 2011/12, the Council's actuaries advised that the net pensions liability had increased to £43.3 million.

Notes to the Accounts

4 Arrears

cont.

At 31 March 2012, The Council had a balance of sundry debtors. A review of significant balances suggested that a doubtful debt impairment of 18.3% £211,635 was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient

If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £136,049 set aside as an allowance

5. Material items of income and expense

5.1 Housing Revenue Account Self Financing

On the 28 March 2012 the Council borrowed £175.9 million from the Public Works Loan Board and made a payment of £175.9 million to the Department of Communities and Local Government. This transaction allowed the Council to buy itself out of the Housing Subsidy system under the Governments 'Self Financing proposals'. In exchange for a one-off payment, the Council along with a number of other Councils across the country will now no longer need to make an annual 'subsidy' payment to the Government.

The Council funded the payment by procuring a number of fixed rate interest loans over varying periods ranging from 2 to 25 years from the Public Works Loans Board (PWLB) at an average interest rate of 3.26% over the 25 year period.

The £175.9 million payment is the Government's assessment over a 30 year period of what can be sustained by the Council's Housing Revenue Account (HRA).

The Council under self-financing will now be free to retain all of the rental income from its housing stock but will still be guided by the national policies regarding annual rent guidelines.

5.2 Pension Fund Actuarial Loss

The Pension Fund Actuary has reported an actuarial loss for 2011/12 of £9.0 million, contributing to the pension fund deficit of £43.3 million. This is reported as a loss on the Comprehensive Income & Expenditure, and subsequently adjusted (in accordance with proper practice) via the Movement in Reserves Statement to ensure it has no General Fund Balance implications.

Notes to the Accounts

6. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Deputy Chief Executive (Finance) on 26 September 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

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

General Fund Balance

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

Housing Revenue Account Balance

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

Notes to the Accounts

7 Major Repairs Reserve

cont.

The Council is required to maintain the Major Repairs Reserve for housing purposes. It controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year-end.

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 | |
| 2011/2012 | | | | | | |
| Adjustments involving the Capital Adjustment Account: | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement | | | | | | |
| Charges for depreciation and impairment of non-current assets | (5,022) | (7,872) | - | (10,390) | - | 23,284 |
| Housing Self Financing | - | (175,916) | - | - | - | 175,916 |
| Minimum Revenue Provision | 115 | - | - | - | - | (115) |
| Amortisation of intangible assets | (212) | - | - | - | - | 212 |
| Movements in the market value of Investment Properties | (221) | - | - | - | - | 221 |
| Capital grants and contributions applied | 132 | 468 | - | - | (4) | (596) |
| Revenue Expenditure Funded from Capital under Statute | (847) | - | - | - | - | 847 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES | - | (548) | - | - | - | 548 |
| Adjustments involving the Capital Grants Unapplied | - | - | - | - | - | - |
| Capital grants and contributions unapplied credited to the CI&ES | 120 | - | - | - | (120) | - |
| Application of grants to capital financing transferred to the Capital Adjustment Account | - | - | - | - | 305 | (305) |
| Adjustments involving the Capital Receipts reserve | - | - | - | - | - | - |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES | - | 1,442 | (1,442) | - | - | - |
| Other Capital Receipts taken to the CI&ES | 222 | 78 | (300) | - | - | - |
| Use of the Capital receipts Reserve to finance new expenditure | - | - | 2,054 | - | - | (2,054) |
| Contribution from the Capital Receipts Reserve towards the administrative costs of non-current asset disposals | (3) | - | 3 | - | - | - |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | (831) | - | 831 | - | - | - |
| Transfer from the Deferred Capital receipts reserve upon receipt of cash | - | - | (22) | - | - | 22 |
| Adjustments involving the Major Repairs Reserve | - | - | - | - | - | - |
| Reversal of the MRR credited to the HRA | - | (6,453) | - | 6,453 | - | - |
| Use of the MRR to finance new capital expenditure | - | - | - | 3,962 | - | (3,962) |
| Adjustments involving the Financial Instruments | - | - | - | - | - | - |
| Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements | - | 15 | - | - | - | (15) |
| Adjustments involving the Pensions Reserve | - | - | - | - | - | - |
| Reversal of items relating to retirement benefits debited or credited to the CI&ES (see note 38) | (2,638) | (645) | - | - | - | 3,283 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 1,964 | 560 | - | - | - | (2,524) |
| Adjustments involving the Employment Reserve | | | | | | |
| Adjustment between comprehensive income and expenditure account and employment reserve | 168 | - | - | - | - | (168) |
| Adjustments involving the Collection Fund Adjustment | | | | | | |
| Amount by which council tax income credited to the CI&ES is different from council tax income calculated for the year in accordance with statutory requirements | 44 | - | - | - | - | (44) |
| Total Adjustments | (7,009) | (188,871) | 1,124 | 25 | 181 | 194,550 |

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 | |
| 2010/2011 | | | | | | |
| Adjustments involving the Capital Adjustment Account: | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement | | | | | | |
| Charges for depreciation and impairment of non-current assets | (2,173) | (93,373) | - | (10,532) | - | 106,078 |
| Amortisation of intangible assets | (162) | - | - | - | - | 162 |
| Movements in the market value of Investment Properties | (75) | - | - | - | - | 75 |
| Capital grants and contributions applied | 81 | 432 | - | - | - | (513) |
| Revenue Expenditure Funded from Capital under Statute | (922) | - | - | - | - | 922 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES | (357) | (2,917) | - | - | - | 3,274 |
| Adjustments involving the Capital Grants Unapplied | | | | | | |
| Capital grants and contributions unapplied credited to the CI&ES | 970 | - | - | - | (970) | - |
| Application of grants to capital financing transferred to the Capital Adjustment Account | - | - | - | - | 1,270 | (1,270) |
| Adjustments involving the Capital Receipts reserve | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES | - | 2,224 | (2,224) | - | - | - |
| Other Capital Receipts taken to the CI&ES | 3 | 214 | (217) | - | - | - |
| Use of the Capital receipts Reserve to finance new expenditure | - | - | 923 | - | - | (923) |
| Contribution from the Capital Receipts Reserve towards the administrative costs of non-current asset disposals | (5) | - | 5 | - | - | - |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | (1,170) | - | 1,170 | - | - | - |
| Transfer from the Deferred Capital receipts reserve upon receipt of cash | - | - | (5) | - | - | 5 |
| Adjustments involving the Major Repairs Reserve | | | | | | |
| Reversal of the MRR credited to the HRA | - | (6,648) | - | 6,648 | - | - |
| Use of the MRR to finance new capital expenditure | - | - | - | 5,141 | - | (5,141) |
| Adjustments involving the Financial Instruments | | | | | | |
| Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements | - | 238 | - | - | - | (238) |
| Adjustments involving the Pensions Reserve | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CI&ES (see note 38) | 7,455 | (285) | - | - | - | (7,170) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 2,143 | 575 | - | - | - | (2,718) |
| Adjustments involving the Employment Reserve | | | | | | |
| Adjustment between comprehensive income and expenditure account and employment reserve | 146 | - | - | - | - | (146) |
| Adjustments involving the Collection Fund Adjustment | | | | | | |
| Amount by which council tax income credited to the CI&ES is different from council tax income calculated for the year in accordance with statutory requirements | (11) | - | - | - | - | 11 |
| Total Adjustments | 5,923 | (99,540) | (348) | 1,257 | 300 | 92,408 |

Notes to the Accounts

8. Transfers To/From Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2011/2012.

| | Balance at 1 April 2010 | Transfers out 2010/2011 | Transfers in 2010/2011 | Balance at 31 March 2011 | Transfers out 2011/2012 | Transfers In 2011/2012 | Balance at 31 March 2012 |
|-----------------------------------|-------------------------|-------------------------|------------------------|--------------------------|-------------------------|------------------------|--------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| General Fund | | | | | | | |
| Leisure Services Dept | 160 | (43) | 172 | 289 | (134) | 160 | 315 |
| Community Crime | 25 | (25) | 10 | 10 | (50) | 50 | 10 |
| Museums Reserves | 37 | (8) | 7 | 36 | (9) | 7 | 34 |
| Amenity Area Mtce Fund | 188 | - | 1 | 189 | - | - | 189 |
| S52 Town & Country Planning Act | 140 | - | - | 140 | - | - | 140 |
| LABGI | 393 | (160) | - | 233 | (49) | 1 | 185 |
| Prevent Violent Extremism grant | 109 | (97) | 140 | 152 | (129) | - | 23 |
| Westminster Lodge capital reserve | 1 | (21) | 276 | 256 | (630) | 374 | 0 |
| Other Reserves | 71 | (104) | 332 | 299 | (300) | 448 | 447 |
| Total | 1,124 | (458) | 938 | 1,604 | (1,301) | 1,040 | 1,343 |

9. Other Operating Expenditure

| 2010/2011 | | 2011/2012 |
|--------------|--|--------------|
| £'000 | | £'000 |
| 2,233 | Parish Council Precepts | 2,222 |
| 1,170 | Payments to the Government Housing Capital Receipts Pool | 831 |
| 1,050 | Gains/losses on the disposal of non-current assets | (894) |
| - | Other Capital receipts and income | (300) |
| 4,453 | | 1,859 |

Notes to the Accounts

10. Financing and Investment Income and Expenditure

| 2010/2011 £'000 | | 2011/2012 £'000 |
|--------------------|---|--------------------|
| 122 | Interest payable and similar charges | 209 |
| 1,812 | Pension Interest Costs and expected return on pension assets | 1,010 |
| (210) | Interest receivable and similar income | (272) |
| 75 | Income and expenditure in relation to investment properties and changes in their fair value | 221 |
| (311) | Surplus/deficit from trading operations not included in Net Cost of Services | (262) |
| 1,488 | | 906 |

11. Taxation and Non-Specific Grant Income

| 2010/2011 £'000 | | 2011/2012 £'000 |
|--------------------|------------------------------------|--------------------|
| (12,630) | Council Tax Income | (12,576) |
| (116) | Transfer from the Collection Fund | (184) |
| (6,695) | Non-Domestic Rates | (4,373) |
| (1,132) | Non - ringfenced government grants | (1,352) |
| (2,681) | Capital grants and contributions | (681) |
| (23,254) | Total | (19,166) |

Notes to the Accounts

12. Property, Plant and Equipment

Movements on Balances

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

| PPE Movements 2011/2012 | Council Dwellings £'000 | Other Land and Buildings £'000 | Vehicles, Plant, Furniture & Equipment £'000 | Infra-structure £'000 | Community Assets £'000 | Asset Under Const-ruction £'000 | Total Property, Plant and Equipment £'000 |
|--|----------------------------|-----------------------------------|---|--------------------------|---------------------------|------------------------------------|--|
| Cost or Valuation | | | | | | | |
| At 1 April 2011 | 394,051 | 58,424 | 5,917 | 3,799 | 17 | 2,149 | 464,357 |
| Additions | 7,702 | 90 | 496 | 121 | - | 9,891 | 18,300 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | (6,623) | 9,842 | - | - | - | - | 3,219 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (1,658) | (2,591) | - | - | - | - | (4,249) |
| Derecognition - disposals | (556) | - | - | - | - | - | (556) |
| Assets reclassified AHS(to)/from | (808) | (32) | - | - | - | - | (840) |
| Other Adjustment | (739) | 190 | - | - | - | - | (549) |
| At 31 March 2012 | 391,369 | 65,923 | 6,413 | 3,920 | 17 | 12,040 | 479,682 |
| Accumulated Depreciation and Impairment | | | | | | | |
| At 1 April 2011 | (10,429) | (2,252) | (3,341) | (1,076) | (5) | - | (17,103) |
| Depreciation charge | (10,320) | (1,653) | (530) | (428) | - | - | (12,931) |
| Depreciation written out to the Revaluation Reserve | 9,013 | 185 | - | - | - | - | 9,198 |
| Derecognition - disposals | 9 | - | - | - | - | - | 9 |
| Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services | (7,077) | - | - | - | - | - | (7,077) |
| Impairment losses/(reversals) recognised in the Revaluation Reserve | 1,415 | 960 | - | - | - | - | 2,375 |
| At 31 March 2012 | (17,389) | (2,760) | (3,871) | (1,504) | (5) | - | (25,529) |
| Net Book Value | | | | | | | |
| At 31 March 2012 | 373,980 | 63,164 | 2,542 | 2,416 | 12 | 12,040 | 454,154 |
| At 31 March 2011 | 383,622 | 56,173 | 2,576 | 2,723 | 12 | 2,149 | 447,255 |

Notes to the Accounts

12 cont.

| PPE Movements 2010/2011 | Council Dwellings £'000 | Other Land and Buildings £'000 | Vehicles, Plant, Furniture & Equipment £'000 | Infra-structure £'000 | Community Assets £'000 | Asset Under Const-ruction £'000 | Total Property, Plant and Equipment £'000 |
|--|----------------------------|-----------------------------------|---|--------------------------|---------------------------|------------------------------------|--|
| Cost or Valuation | | | | | | | |
| At 1 April 2010 | 482,533 | 61,620 | 5,165 | 3,546 | 17 | 1,223 | 554,104 |
| Additions | 6,515 | 195 | 752 | 253 | - | 926 | 8,641 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | (93,260) | - | - | - | - | - | (93,260) |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (52,525) | - | - | - | - | - | (52,525) |
| Derecognition - disposals | (3,010) | (375) | - | - | - | - | (3,385) |
| Revaluation Gains | 53,798 | 1,588 | - | - | - | - | 55,386 |
| Revaluation losses | - | (4,604) | - | - | - | - | (4,604) |
| At 31 March 2011 | 394,051 | 58,424 | 5,917 | 3,799 | 17 | 2,149 | 464,357 |
| Accumulated Depreciation and Impairment | | | | | | | |
| At 1 April 2010 | (7,833) | (2,102) | (2,989) | (835) | (5) | - | (13,764) |
| Depreciation charge | (10,429) | (1,336) | (352) | (241) | - | - | (12,358) |
| Depreciation written out to the Revaluation Reserve | - | 596 | - | - | - | - | 596 |
| Derecognition - disposals | 94 | 18 | - | - | - | - | 112 |
| Impairment losses/(reversals) recognised in the Revaluation Reserve | 7,739 | 573 | - | - | - | - | 8,312 |
| At 31 March 2011 | (10,429) | (2,251) | (3,341) | (1,076) | (5) | - | (17,102) |

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation.

- Council dwellings, multi-occupied dwellings and other buildings are depreciated under component accounting, where appropriate, as follows:
 - Land – no depreciation
 - Structure and pitched roofs: 50 years
 - Kitchens and Bathrooms: 20 years
 - Electrics/heating/flat roofs: 10 years
- Other land and buildings – 30-60 years
- Vehicles, plant and equipment, and intangible assets – 3 to 35 years
- Infrastructure – 5-20 years

Notes to the Accounts

12 Capital Commitments cont.

At 31 March 2012, the Council has entered into a number of contracts for the construction and enhancement of Property, Plant and Equipment in 2012/13 and future years budgeted to cost £14.63 million. Similar commitments at 31st March 2011 were £26.6 million.

The major commitments are:

- Westminster Lodge £12.7 million of which £12.1 million is expected to be spent in 2012/2013
- Housing - £1.9 million

Impairment – Batchwood Golf and Tennis Centre

Other Land and buildings included in the Property Plant and Equipment line in the Balance Sheet contains indoor tennis courts at Batchwood Golf and Tennis Centre. On the morning of 10th August 2011 part of the building was destroyed by fire. The council has adequate insurance for the restatement of the building. The building values have been impaired by £2.1 million with £1.1 million being written off Revaluation Reserves and £1.0 million being charged to Cultural and Related Services in the CI&E. The charge to the CI&E has been reversed out to the Capital Adjustment Account in accordance with accounting practice.

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 furniture and equipment are not valued and depreciation costs are used as a proxy for fair value.

The significant assumptions in estimating the fair values are:

- a) Title – that the title is good and marketable and are free from rights of way or easements, restrictive covenants, disputes or onerous usual outgoing
- b) Environmental Matters – which the land and buildings 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 valuation
- 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 cost nor for any tax liabilities which may arise

Notes to the Accounts

12

cont.

| Year of valuation of value in accounts | Council Dwellings £'000 | Other Land and £'000 | Vehicles and Plant £'000 | Investment Props £'000 | Total £'000 |
|--|----------------------------|-------------------------|-----------------------------|---------------------------|----------------|
| Valued at historical Cost | - | - | 2,542 | - | 2,542 |
| Valued at current value in: | | | | | |
| 2007/2008 | - | 9,931 | - | - | 9,931 |
| 2008/2009 | - | 4,508 | - | - | 4,508 |
| 2009/2010 | - | 14,007 | - | - | 14,007 |
| 2010/2011 | - | 3,257 | - | - | 3,257 |
| 2011/2012 | 373,980 | 31,461 | - | 7,832 | 413,273 |
| Total | 373,980 | 63,164 | 2,542 | 7,832 | 447,518 |

13. Heritage Assets

| Reconciliation of the Carrying Value of Heritage Assets Held by the Authority | Exhibits £'000 | Silver £'000 | Civic Regalia £'000 | Cups and Trophies £'000 | Sculptures £'000 | Total Assets £'000 |
|---|-------------------|-----------------|------------------------|----------------------------|---------------------|-----------------------|
| Cost or valuation: | | | | | | |
| 1 April 2010 | 3,860 | 657 | 43 | 600 | 34 | 5,194 |
| 31 March 2011 | 3,860 | 657 | 43 | 600 | 34 | 5,194 |
| Cost or valuation: | | | | | | |
| 1 April 2011 | 3,860 | 657 | 43 | 600 | 34 | 5,194 |
| 31 March 2012 | 3,860 | 657 | 43 | 600 | 34 | 5,194 |

The Council's Heritage Assets are reported in the Balance Sheet at insurance valuation. These insurance valuations are updated annually.

Notes to the Accounts

14. Investment Properties

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

| 2010/2011 £'000 | | 2011/2012 £'000 |
|--------------------|--|--------------------|
| 540 | Rental income from investment Property | 609 |
| (259) | Direct Expenses arising from Investment property | (231) |
| 281 | Net Gain/ (Loss) | 378 |

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

| 2010/2011 £'000 | | 2011/12 £'000 |
|--------------------|--------------------------------------|------------------|
| 8,128 | Balance at start of year: | 8,053 |
| (75) | Net loss from fair value adjustments | (221) |
| 8,053 | Balance at end of the year | 7,832 |

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 the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or to undertake repairs, maintenance or enhancement.

Notes to the Accounts

15. Intangible Assets

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £212,201.87 charged to revenue in 2011/12 was charged to the IT Service cost centre and then absorbed as an overhead across all the service headings in the Comprehensive Income and Expenditure Account. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

| 2010/2011 £'000 | | 2011/2012 £'000 |
|--------------------|---|--------------------|
| | Balance at start of year: | |
| 1,528 | Gross carrying amount | 1,730 |
| (1,042) | Accumulated amortisation | (1,204) |
| 486 | Net carrying amount at start of year | 526 |
| 202 | Purchases | 145 |
| (162) | Amortisation for the period | (212) |
| 526 | Net carrying amount at end of year | 459 |
| | Comprising: | |
| 1,730 | Gross carrying amount | 1,875 |
| (1,204) | Accumulated amortisation | (1,416) |
| 526 | | 459 |

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 instrument are carried in the Balance Sheet:

| | Long-Term | | Current | |
|---|------------------|----------------|----------------|----------------|
| | At 31 March | At 31 March | At 31 March | At 31 March |
| | 2012 | 2011 | 2012 | 2011 |
| | £'000 | £'000 | £'000 | £'000 |
| Investments | | | | |
| Loans and receivables | 1 | 1 | 7,578 | 1,004 |
| Cash and Cash Equivalents | - | - | 6,440 | 7,979 |
| Total investments | 1 | 1 | 14,018 | 8,983 |
| Debtors | | | | |
| Financial assets carried at contract amounts | 176 | 203 | 1,504 | 1,413 |
| Total debtors | 176 | 203 | 1,504 | 1,413 |
| Borrowings | | | | |
| Financial liabilities at amortised | (191,076) | (1,500) | - | (1,000) |
| Total borrowings | (191,076) | (1,500) | - | (1,000) |
| Creditors | | | | |
| Financial liabilities carried at contract amounts | - | - | (5,111) | (5,339) |
| Total creditors | - | - | (5,111) | (5,339) |

Analysis of Long term Debtors

| | At 31 March | At 31 March |
|---|-------------|-------------|
| | 2012 | 2011 |
| | £'000 | £'000 |
| Advances to external borrows - General Fund | 19 | 19 |
| Mortgages - Housing Revenue Account | 20 | 28 |
| Employee's car loans/leasing | - | 136 |
| Economic Development Loan | 137 | 156 |
| Total | 176 | 339 |

Notes to the Accounts

16 Income, Expense, Gains and Losses
cont.

| Financial Liabilities: measured at amortised cost £'000 | Financial Assets: loans and receivables £'000 | 2010/2011 Total £'000 | | Financial Liabilities: measured at amortised cost £'000 | Financial Assets: loans and receivables £'000 | 2011/2012 Total £'000 |
|---|---|--------------------------|---|---|---|--------------------------|
| 69 | - | 69 | Interest expense | 144 | - | 144 |
| 69 | - | 69 | Total expense in Surplus or Deficit on the Provision of Services | 144 | - | 144 |
| - | (210) | (210) | Interest income | - | (272) | (272) |
| - | (210) | (210) | Total income in Surplus or Deficit on the Provision of Services | - | (272) | (272) |
| 69 | (210) | (141) | Net (gain)/loss for the year | 144 | (272) | (128) |

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 instruments, using the following assumptions:

- Estimated ranges of interest rates at 31 March 2012 of 1.41% to 4.27% for loans from the PWLB and 0.63% for loans receivable, 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

16 Financial Assets
cont.

| 31 March 2011 | | | 31 March 2012 | |
|-----------------|------------|---------------------|-----------------|------------|
| Carrying amount | Fair Value | | Carrying amount | Fair Value |
| £'000 | £'000 | | £'000 | £'000 |
| - | - | Cash | 4,937 | 4,937 |
| 1,004 | 1,004 | Fixed term deposits | 9,078 | 9,083 |

The fair value of assets is higher than the carrying amount because the Council's portfolio of investments is made up of fixed rate investments where the interest rate receivable is higher than the rates available for similar investments at the balance sheet date.

Financial Liabilities

| 31 March 2011 | | | 31 March 2012 | |
|-----------------|------------|-------------------------------|-----------------|------------|
| Carrying amount | Fair Value | | Carrying amount | Fair Value |
| £'000 | £'000 | | £'000 | £'000 |
| 229 | 229 | Cash | - | - |
| 1,500 | 1,500 | Public Works Loan Board loans | 191,076 | 175,899 |
| 1,000 | 1,000 | Other loans | - | - |

The fair value of liabilities is lower than the carrying amount because the Council's portfolio of loans is made up of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2012) arising from a commitment to pay interest to the PWLB below current market rates.

Notes to the Accounts

17. Inventories

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

| Inventories | Consumable Stores | | Goods Acquired for Sale | | Total | |
|--------------------------------------|-------------------|-----------|-------------------------|-----------|-----------|-----------|
| | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at start of year: | 6 | 3 | 63 | 53 | 69 | 56 |
| Purchases | - | 7 | - | 1 | - | 8 |
| Recognised as an expense in the year | (3) | - | (10) | (13) | (13) | (13) |
| Balance at Year end: | 3 | 10 | 53 | 42 | 56 | 51 |

18. Debtors

| At 31 March 2011 £'000 | | At 31 March 2012 £'000 | At 31 March 2012 £'000 |
|---------------------------|--------------------------------|---------------------------|---------------------------|
| 3,904 | Central Government Bodies | | 935 |
| 517 | Other Local Authorities | | 46 |
| | Other entities and Individuals | | |
| 756 | Housing Rents | 781 | |
| (277) | Less Impairment Allowance | (249) | |
| 479 | | | 532 |
| 789 | Council Tax and Business Rates | 866 | |
| (386) | Less Impairment Allowance | (414) | |
| 403 | | | 452 |
| 1,132 | Other | 1,912 | |
| (244) | Less Impairment Allowance | (212) | |
| 888 | | | 1,700 |
| 6,191 | Total | | 3,665 |

Notes to the Accounts

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 2011 £'000 | | At 31 March 2012 £'000 |
|------------------------------|--|------------------------------|
| 3 | Cash held by the Council | 3 |
| (229) | Bank Current Accounts | 434 |
| - | Short-term deposits | 6,003 |
| (226) | Total Cash and Cash equivalents | 6,440 |

20. Assets Held for Sale

These are assets satisfying the criteria in the Code for Assets Held for Sale. The main criteria are that the assets are available for sale in their current condition, at a reasonable price and that the Council considers it highly probable that completion of the sale will be within one year of classification as an asset for sale.

| | Current | | Non-Current | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2011/2012 £'000 | 2010/2011 £'000 | 2011/2012 £'000 | 2010/2011 £'000 |
| Balance at start of year | - | - | - | - |
| Assets newly classified as held for sale | | | | |
| - Property, Plant & Equipment | - | - | 841 | - |
| Balance at Year End | - | - | 841 | - |

Notes to the Accounts

21. Creditors

| At 31 March 2011 £'000 | | At 31 March 2012 £'000 |
|------------------------------|--------------------------------|------------------------------|
| 624 | Central government bodies | 1,871 |
| 644 | Other local authorities | 745 |
| 5,566 | Other entities and individuals | 5,521 |
| 543 | Receipts in advance | 628 |
| 7,377 | Total | 8,765 |

The majority of General Creditors (£3.0 million) is made up of accruals. That is, goods and services relating to 2011/2012 but not paid as at the year end.

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.

| Restated 2009/10 £'000 | Restated 2010/11 £'000 | | 2011/2012 £'000 |
|------------------------------|------------------------------|--|--------------------|
| 73,846 | 77,591 | Revaluation Reserve | 89,428 |
| 469,825 | 370,938 | Capital Adjustment Account | 178,372 |
| (253) | (15) | Financial Instruments Adjustment Account | - |
| 208 | 203 | Deferred Capital Receipts Reserve | 181 |
| (58,815) | (33,517) | Pensions Reserve (note 38) | (43,265) |
| 135 | 124 | Collection Fund Adjustment Account | 168 |
| (487) | (342) | Employment reserve | (175) |
| 484,459 | 414,982 | Total Unusable Reserves | 224,709 |

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 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 Adjustments Account.

2009-2010 and 2010-2011 figures have been restated due to the inclusion in the Balance Sheet for the first time in 2011-2012 of Heritage Assets to the value of £5.2 million.

| 2009/2010 (restated) £'000 | 2010/2011 (restated) £'000 | | 2011/2012 £'000 |
|----------------------------------|----------------------------------|--|--------------------|
| 24,266 | 73,846 | Balance at 1 April | 77,591 |
| 64,067 | 56,832 | Upward revaluation of assets | 22,907 |
| (13,129) | (48,461) | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | (7,925) |
| - | (850) | Previous year impairment written back | (1,711) |
| 50,938 | 7,521 | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or deficit on the Provision of Services | 13,271 |
| (1,168) | (3,370) | Difference between fair value depreciation and historical cost depreciation | (1,434) |
| (190) | (406) | Accumulated gains on assets sold or scrapped | - |
| (1,358) | (3,776) | Amount written off to the Capital Adjustment Account | (1,434) |
| 73,846 | 77,591 | Balance at 31 March | 89,428 |

The 2009/10 opening balance has been restated to reflect the inclusion of £5.2 million of heritage assets into the Balance Sheet.

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

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

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

Note 7 provide details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Notes to the Accounts

23.2 cont.

| 2010/2011 £'000 | Capital Adjustment Account | 2011/12 £'000 |
|--------------------|--|------------------|
| 469,826 | Balance as At 1 April 2011 | 370,938 |
| | <i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i> | |
| (12,408) | Charges for depreciation and impairment of non current | (20,749) |
| 850 | Reversal of previous year Impairment | 1,711 |
| (94,520) | Revaluation losses on Property, Plant and Equipment | (4,249) |
| (162) | Amortisation of Intangibles | (212) |
| (922) | Revenue expenditure funded from capital under statute | (847) |
| - | - Housing Self Financing | (175,916) |
| 3,370 | Excess Depreciation | 1,432 |
| (3,274) | 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 | (548) |
| (107,066) | Sub-total charges | (199,378) |
| 406 | Adjusting amounts written out of the Revaluation Reserve | - |
| (106,660) | Net written out amount of the cost of non -current asset consumed in the year | (199,378) |
| | <i>Capital Financing applied in the year:</i> | |
| 923 | Use of the Capital Receipts Reserve to finance new capital expenditure | 1,424 |
| 5,141 | Use of Major Repairs Reserve to finance new capital expenditure | 3,962 |
| - | - Transfer from Earmarked Reserves | 630 |
| 513 | Capital Grants and contributions credited to the Comprehensive Income and Expenditure Financing that have been applied to capital financing | 596 |
| 1,270 | Application of Grants to capital Financing from the capital Grants Unapplied Account | 305 |
| - | - Statutory provision for the financing of capital investment charged against the General Fund | 116 |
| 7,847 | Sub-total capital financing | 7,033 |
| (75) | Movements in the market value of Investment Properties debited or credited to the comprehensive Income and Expenditure Statement | (221) |
| 370,938 | Balance at 31 March 2012 | 178,372 |

Notes to the Accounts

23.3 Financial Instruments Adjustment Account (FIAA)

Financial Regulations require that premiums paid on the early redemption of loans are written off in the year of redemption while statute allows the premiums to be written off over the life of the original loan. The Council uses the Financial Instruments Adjustment Account to absorb the timing difference arising from these different arrangements relating to Housing loans redeemed early. Premiums are debited to the HRA balance via the Movement in Reserves Statement (adjustment between accounting basis and funding basis under regulations) over the period of the unexpired term that was outstanding on the loans when they were redeemed. This ensures that the expense is charged to the HRA Balance in accordance with statutory arrangements for spreading the burden on council house tenants. The final charge to the HRA is £15,080, in 2011/12.

See HRA Notes to the Accounts note 11 for further details.

| 2010/2011 £'000 | Financial Instruments Adjustment Account | 2011/2012 £'000 |
|--------------------|---|--------------------|
| 253 | Balance at 1 April | 15 |
| (238) | Proportion of premiums incurred in previous years to be charged against the HRA Balance in accordance with statutory requirements | (15) |
| 15 | Balance at 31 March | - |

23.4 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.

Notes to the Accounts

23.4 cont.

| 2010/2011 £'000 | Pensions Reserve | 2011/2012 £'000 |
|--------------------|--|--------------------|
| 58,815 | Balance at 1 April | 33,517 |
| (15,410) | Actuarial gains and losses on pension assets and liabilities | 8,987 |
| (7,170) | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | 3,284 |
| (2,718) | Employer's pensions contributions and direct payments to pensioners payable in the year | (2,523) |
| 33,517 | Balance at 31 March | 43,265 |

23.5 Deferred Capital Receipts Reserve

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

| 2010/2011 £'000 | Deferred Capital Receipts Reserve | 2011/2012 £'000 |
|--------------------|-----------------------------------|--------------------|
| 208 | Balance at 1 April | 203 |
| | Capital Repaid | |
| (5) | Mortgages | (6) |
| - | Loan | (16) |
| 203 | Balance at 31 March | 181 |

Notes to the Accounts

23.6 Collection Fund Adjustment Account

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

| 2010/2011 £'000 | Collection Fund Adjustment Account | 2011/2012 £'000 |
|--------------------|--|--------------------|
| 135 | Balance at 1 April | 124 |
| (11) | Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from the council tax income calculated for the year in accordance with statutory requirements | 44 |
| 124 | Balance at 31 March | 168 |

23.7 Employment Reserve

The Employment Reserve manages the differences arising from the recognition of pension strain costs due to early retirements and redundancies in the Comprehensive income and Expenditure Statement and the payments made to the pension fund.

| 2010/2011 £'000 | Employment Reserve | 2011/2012 £'000 |
|--------------------|---|--------------------|
| 488 | Balance at 1 April | 342 |
| 17 | Additional pension strain relating to in year early retirements or redundancies | - |
| (163) | Pension Strain written off on payment | (167) |
| 342 | Balance at 31 March | 175 |

Notes to the Accounts

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

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

| 2010/2011 £'000 | | 2011/2012 £'000 |
|--------------------|--|--------------------|
| | Non Cash Transactions | |
| 106,078 | Depreciation and impairments | 23,287 |
| 162 | Amortisations | 221 |
| 75 | Write down of Investment Properties | 212 |
| (10,034) | Pension fund adjustments | 612 |
| 3,274 | Carrying amount of non-current assets sold | 548 |
| 164,650 | Carrying amount of short and long term investments | 149,950 |
| 13 | (Increase)/decrease in stock | 5 |
| (376) | (Increase)/decrease in debtors | (618) |
| 332 | (Decrease)/increase in creditors | (861) |
| 264,174 | Total non-cash movements | 173,356 |

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

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

| 2010/2011 £'000 | | 2011/2012 £'000 |
|--------------------|--|--------------------|
| (2,441) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (1,742) |
| (162,950) | Proceeds from short-term and long term investments | (149,950) |
| (1,484) | Capital grants credited to the surplus or deficit on the provision of services | (744) |
| (166,875) | Net adjustment | (152,436) |

Notes to the Accounts

26. Cash Flow Statement – Investing Activities

| 2010/2011 £'000 | | 2011/2012 £'000 |
|--------------------|--|--------------------|
| (8,352) | Purchase of property, plant and equipment, investment property and intangible assets | (18,070) |
| (164,650) | Purchase of short-term and long-term investments | (156,517) |
| 2,229 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 1,464 |
| 162,950 | Proceeds from short-term and long term investments | 149,950 |
| 1,623 | Capital grants received | 1,027 |
| 235 | Other capital cash income | 302 |
| (5,965) | Net cash flows from investing activities | (21,844) |

27. Cash Flow Statement – Financing Activities

| 2010/2011 £'000 | | 2011/2012 £'000 |
|--------------------|--|--------------------|
| 1,000 | Cash receipts of short- and long-term borrowing | 189,576 |
| - | Repayment of Short-Term and Long-Term Borrowing | (1,000) |
| (423) | Council Tax and NNDR adjustments | 5,143 |
| 577 | Total cash flow from financing activities | 193,719 |

Notes to the Accounts

28. Amounts Reported for Resource Allocation

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

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

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

The Council underwent a major restructure for 2011/12. The main change was the dissolution of the Environment and Regulatory Services. In general terms, Environment Services have been combined with Culture & Community Development to form Community Services, and Regulatory Services have been combined with Legal & Democratic Services to form Legal, Democratic & Regulatory Services. Prior year figures have been restated to reflect this change.

The income and expenditure of the Council's principal services recorded in the budget reports for the year is as follows:

| Income and Expenditure 2011-12 | | | | | | | |
|--------------------------------------|--------------------------------|---|---------------------------|--|--|--|-----------------|
| | Community Services £'000 | Planning and Building Control £'000 | Housing Services £'000 | Legal, Democratic and Regulatory Services £'000 | Finance and Internal Audit £'000 | HR, Customer Services and IT £'000 | Total £'000 |
| Fees, charges & other service income | (3,568) | (1,386) | (25,405) | (3,782) | (273) | (29) | (34,443) |
| Government grants | (1,504) | (215) | (37,009) | (22) | (930) | - | (39,680) |
| Total Income | (5,072) | (1,601) | (62,414) | (3,804) | (1,203) | (29) | (74,123) |
| Employee expenses | 2,577 | 2,024 | 3,575 | 2,368 | 1,650 | 1,211 | 13,405 |
| Other operating expenses | 10,987 | 996 | 53,875 | 2,783 | 589 | 1,459 | 70,689 |
| Support Service Recharges | - | - | - | - | - | - | - |
| Total Expenditure | 13,564 | 3,020 | 57,450 | 5,151 | 2,239 | 2,670 | 84,094 |
| Net Expenditure | 8,492 | 1,419 | (4,964) | 1,347 | 1,036 | 2,641 | 9,971 |

Notes to the Accounts

28.
cont.

| Income and Expenditure 2010-11 (Restated) | | | | | | | |
|---|--------------------------------|---|------------------------------|--|--|--|-----------------|
| | Community Services £'000 | Planning and Building Control £'000 | Housing Services £'000 | Legal, Democratic and Regulatory Services £'000 | Finance and Internal Audit £'000 | HR, Customer Services and IT £'000 | Total £'000 |
| Fees, charges & other service income | (3,209) | (1,353) | (23,638) | (3,685) | (269) | (24) | (32,178) |
| Government grants | (1,448) | (397) | (35,090) | (77) | (225) | (72) | (37,309) |
| Total Income | (4,657) | (1,750) | (58,728) | (3,762) | (494) | (96) | (69,487) |
| Employee expenses | 2,642 | 2,709 | 3,629 | 2,545 | 1,869 | 1,396 | 14,790 |
| Other operating expenses | 10,251 | 2,787 | 50,370 | 2,515 | 750 | 1,506 | 68,179 |
| Support Service Recharges | - | - | - | - | - | - | - |
| Total Expenditure | 12,893 | 5,496 | 53,999 | 5,060 | 2,619 | 2,902 | 82,969 |
| Net Expenditure | 8,236 | 3,746 | (4,729) | 1,298 | 2,125 | 2,806 | 13,482 |

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

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

| 2010-2011 (Restated) £000's | | 2011-2012 £000's |
|-----------------------------------|--|---------------------|
| 13,482 | Net expenditure in the Service analysis | 9,971 |
| 1,375 | Net expenditure of services and support services not included in the analysis | 1,851 |
| 93,731 | Amounts in the Comprehensive Income & Expenditure Statement not reported to Management in the analysis | 198,651 |
| 311 | Amounts included in the analysis not included in the Comprehensive Income & Expenditure Statement | 262 |
| 108,899 | Cost of Services in Comprehensive Income & Expenditure Statement | 210,735 |

Notes to the Accounts

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

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

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

Reconciliation to Subjective Analysis

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

| 2011-2012 | | | | | | | | |
|--|---------------------------|--|-------------------------------------|---------------------------------------|-------------------------------|----------------------------|------------------|------|
| | Service Analysis £'000 | Services not in Main Analysis £'000 | Not reported to Management £'000 | Not included in COS in CI&ES £'000 | Net Cost of Services £'000 | Corporate Amounts £'000 | Total £'000 | Note |
| Fees, charges & other service income | (34,443) | (110) | - | 2,632 | (31,921) | (2,632) | (34,553) | |
| Service charges | - | - | (10,070) | - | (10,070) | - | (10,070) | |
| Interest and investment income | - | - | - | - | - | (272) | (272) | 10 |
| Income from council tax | - | - | - | - | - | (12,760) | (12,760) | 11 |
| Government grants and contributions | (39,680) | (128) | - | - | (39,808) | (6,706) | (46,514) | 33 |
| Total Income | (74,123) | (238) | (10,070) | 2,632 | (81,799) | (22,370) | (104,169) | |
| Employee expenses | 13,405 | 992 | - | (413) | 13,984 | 413 | 14,397 | |
| Other service expenses | 70,689 | 1,097 | - | (1,636) | 70,150 | 1,636 | 71,786 | |
| Support Service recharges | - | - | 8,834 | (300) | 8,534 | 300 | 8,834 | |
| Depreciation, amortisation and impairment | - | - | 23,496 | (21) | 23,475 | 242 | 23,717 | 7 |
| HSF debt charge | - | - | 175,916 | - | 175,916 | - | 175,916 | |
| Interest Payments | - | - | - | - | - | 209 | 209 | 10 |
| Pension adjustment | - | - | - | - | - | 1,010 | 1,010 | 10 |
| Precepts & Levies | - | - | - | - | - | 2,222 | 2,222 | 9 |
| Payments to Housing Capital | - | - | - | - | - | 831 | 831 | 7 |
| Receipts Pool | - | - | - | - | - | - | - | |
| Gain or Loss on Disposal of Fixed Assets | - | - | - | - | - | (895) | (895) | 9 |
| Non-Distributed Costs | - | - | 475 | - | 475 | - | 475 | |
| Total operating expenses | 84,094 | 2,089 | 208,721 | (2,370) | 292,534 | 5,968 | 298,502 | |
| Surplus or deficit on the provision of services | 9,971 | 1,851 | 198,651 | 262 | 210,735 | (16,402) | 194,333 | |

Corporate amounts are income and expenditure not allocated to Cost of Services and are shown in more detail in notes 9 to 10 of the Notes to the Accounts.

Notes to the Accounts

| 2010-2011 (Restated) | Service Analysis £'000 | Services not in Main Analysis £'000 | Not reported to Management £'000 | Not included in COS in Cl&ES £'000 | Net Cost of Services £'000 | Corporate Amounts £'000 | Total £'000 | Note |
|--|---------------------------|--|-------------------------------------|---------------------------------------|-------------------------------|----------------------------|------------------|------|
| Fees, charges & other service income | (32,178) | (163) | - | 2,548 | (29,793) | (4,178) | (33,971) | |
| Service charges | - | - | (7,953) | - | (7,953) | - | (7,953) | |
| Interest and investment income | - | - | - | - | - | (210) | (210) | 10 |
| Income from council tax | - | - | - | - | - | (12,746) | (12,746) | 11 |
| Government grants and contributions | (37,309) | (519) | - | - | (37,828) | (8,878) | (46,706) | 33 |
| Total Income | (69,487) | (682) | (7,953) | 2,548 | (75,574) | (26,012) | (101,586) | |
| Employee expenses | 14,790 | 923 | - | (435) | 15,278 | 435 | 15,713 | |
| Other service expenses | 68,179 | 1,134 | - | (1,453) | 67,860 | 1,453 | 69,313 | |
| Support Service recharges | - | - | 6,398 | (325) | 6,073 | 325 | 6,398 | |
| Depreciation, amortisation and impairment | - | - | 106,241 | (24) | 106,217 | 99 | 106,316 | 7 |
| HSF debt charge | - | - | - | - | - | - | - | |
| Interest Payments | - | - | - | - | - | 122 | 122 | 10 |
| Pension adjustment | - | - | (10,955) | - | (10,955) | 1,812 | (9,143) | 10 |
| Precepts & Levies | - | - | - | - | - | 2,233 | 2,233 | 9 |
| Payments to Housing Capital | - | - | - | - | - | 1,170 | 1,170 | 7 |
| Receipts Pool | - | - | - | - | - | - | - | |
| Gain or Loss on Disposal of Fixed Assets | - | - | - | - | - | 1,050 | 1,050 | 9 |
| Non-Distributed Costs | - | - | - | - | - | - | - | |
| Total operating expenses | 82,969 | 2,057 | 101,684 | (2,237) | 184,473 | 8,699 | 193,172 | |
| Surplus or deficit on the provision of services | 13,482 | 1,375 | 93,731 | 311 | 108,899 | (17,313) | 91,586 | |

Notes to the Accounts

29. Trading Operations

The Council has the following trading operations:

- markets – the Council operates a street market in St Albans city centre in Wednesdays and Saturdays, with additional market days for Farmers and continental markets, and at Christmas.
- commercial premises – the Council owns various shops and business premises that are let on a commercial basis.
- parking enforcement – this covers in-street parking in the district. The service includes resident’s parking zones, and highway parking zones for shoppers, tourist and business visitors.

| 2010/2011 £'000 | Trading Operations | | 2011/2012 £'000 |
|--------------------|--|----------------|--------------------|
| (702) | Markets | Turnover | (674) |
| 651 | | Expenditure | 551 |
| (51) | | Surplus | (123) |
| (733) | Commercial premises | Turnover | (662) |
| 411 | | Expenditure | 488 |
| (322) | | Surplus | (173) |
| (1,112) | Parking Enforcement | Turnover | (1,294) |
| 1,174 | | Expenditure | 1,328 |
| 62 | | Deficit | 34 |
| (311) | Net Surplus on Trading Operations | | (262) |

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. In the case of Corporate Property, where part of the surplus occurs from recharges to headings in the Cost of Services sub-total in the Comprehensive Income and Expenditure Statement, the surplus is credited back to the appropriate heading leaving a residual net surplus on trading operations of £262,353 in 2011/12 (£311,181 in 2010/11) which is charged as Financing and Investment income and Expenditure (see Note 10).

30. Members' Allowances

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

| 2010/2011 £000 | Members' Allowances | 2011/2012 £000 |
|-------------------|---------------------|-------------------|
| 434 | Allowances | 414 |
| 1 | Expenses | 1 |
| 435 | Total | 415 |

Notes to the Accounts

31. Officers' Remuneration

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

| Post Title | Notes | Salary, fees and allowances £'000 | Benefits in kind £'000 | Total Remuneration excluding pension contributions £'000 | Employer's pension contribution £'000 | Total Remuneration including pension contributions £'000 |
|---|----------------|--------------------------------------|---------------------------|---|--|---|
| Chief Executive | 2011/12 | 107.9 | - | 107.9 | 29.0 | 136.9 |
| | 2010/11 | 105.0 | 7.1 | 112.1 | 29.0 | 141.1 |
| Chief Finance Officer | 2011/12 | 84.6 | - | 84.6 | 22.0 | 106.6 |
| | 2010/11 | 83.0 | - | 83.0 | 22.0 | 105.0 |
| Chief Policy and Partnership Officer | 2011/12 | 81.1 | - | 81.1 | 22.0 | 103.1 |
| | 2010/11 | 81.8 | - | 81.8 | 22.0 | 103.8 |
| Head of Legal, Democratic Services and Regulatory Services | 2011/12 | 84.2 | 5.6 | 89.8 | 23.9 | 113.7 |
| | 2010/11 | 79.8 | 5.4 | 85.2 | 23.7 | 108.9 |
| Head of Housing | 2011/12 | 62.0 | 6.6 | 68.6 | 17.1 | 85.7 |
| | 2010/11 | 58.6 | 6.3 | 64.9 | 16.2 | 81.1 |
| Head of Environmental and Regulatory Services | 2011/12 | 3.6 | - | 3.6 | 1.0 | 4.6 |
| | 2010/11 | 57.6 | 4.9 | 62.5 | 15.6 | 78.1 |
| Head of Community Services | 2011/12 | 62.0 | 6.6 | 68.6 | 17.1 | 85.7 |
| | 2010/11 | 58.1 | 6.3 | 64.4 | 15.8 | 80.2 |
| Head of Human Resources, Customer Services and IT | 2011/12 | 62.4 | - | 62.4 | 17.1 | 79.5 |
| | 2010/11 | 72.4 | - | 72.4 | 16.2 | 88.6 |
| Head of Planning and Building Control | 2011/12 | 64.4 | - | 64.4 | 17.7 | 82.1 |
| | 2010/11 | 64.6 | - | 64.6 | 17.6 | 82.2 |
| 2011/12 Totals | | 612.2 | 18.8 | 631.0 | 166.9 | 797.9 |
| 2010/11 Totals | | 660.9 | 30.0 | 690.9 | 178.1 | 869.0 |

Note i: The Head of Environment and Regulatory Services left on 22/4/11 and the post was disestablished with the responsibilities being shared between the Head of Legal, Democratic Services and Regulatory Services and the Head of Community Services.

The Council's other employees receiving more than £50,000 remuneration for the year (excluding pension contributions) were paid the following amounts:

Notes to the Accounts

31.
cont.

| 2010/2011 Number ex. redundancies | 2010/2011 Number inc. redundancies | | 2011/2012 Number ex. redundancies | 2011/2012 Number inc. redundancies |
|---|--|---------------------|---|--|
| | | Remuneration | | |
| 7 | 8 | £50,000 - £54,999 | 9 | 13 |
| 2 | 4 | £55,000 - £59,999 | 2 | 4 |
| - | 1 | £60,000 - £64,999 | 1 | 2 |
| 2 | 3 | £65,000 - £69,999 | - | 1 |
| - | 3 | £70,000 - £74,999 | - | 1 |
| - | 1 | £75,000 - £79,999 | - | 1 |
| - | 1 | £100,000 - £104,999 | - | 1 |
| - | 3 | £110,000 - £115,998 | - | - |
| - | 1 | £110,000 - £115,999 | - | - |
| - | - | £116,000 - £119,999 | - | - |
| - | 1 | £120,000 - £124,999 | - | - |
| 11 | 26 | Total | 12 | 23 |

The Numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

| Exit package cost (including special payments) £'000 | Number of compulsory redundancies | | Number of other departures agreed | | Total number of exit packages by cost band | | Total cost of exit packages in each band | |
|--|---|----------|--------------------------------------|-----------|--|-----------|--|------------------|
| | 2010/11 | 2011/12 | 2010/11 | 2011/12 | 2010/11 | 2011/12 | 2010/11 £'000 | 2011/12 £'000 |
| £0 - £20 | 3 | 3 | 9 | 14 | 12 | 17 | 114.1 | 175.3 |
| >£20 - £40 | - | 2 | 15 | 10 | 15 | 12 | 431.8 | 337.8 |
| >£40 - £60 | 3 | 1 | 4 | 1 | 7 | 2 | 386.9 | 97.0 |
| Total | 6 | 6 | 28 | 25 | 34 | 31 | 932.8 | 610.1 |

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.

| 2010/2011 £'000 | | 2011/2012 £'000 |
|--------------------|--|--------------------|
| 137 | Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the current year | 134 |
| 12 | Fees payable to the Audit Commission with regard to additional external audit services carried out by the appointed auditor for the prior year | - |
| 33 | Fees payable to the Audit Commission for the certification of grant claims and returns | 64 |
| 182 | | 198 |

Notes to the Accounts

33. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/2012

| 2010/2011 £'000 | Grant Income | 2011/2012 £'000 |
|--------------------|---|--------------------|
| | Credited to Taxation and Non specific grant income | |
| 6,695 | Non-Domestic Rates Redistribution | 4,373 |
| 972 | Revenue support Grant | 1,352 |
| 1,211 | Capital Grants and contributions | 681 |
| 8,878 | Sub-Total | 6,406 |
| | Credited to services | |
| 27,207 | Rent Allowances & Benefits | 29,352 |
| 42 | LABGI | - |
| 6,703 | Council tax benefits | 6,688 |
| 683 | Benefits Administration Grant | 685 |
| 265 | Performance Reward Grant (now defunct) | - |
| 30 | Homelessness Grant | 74 |
| 201 | Supporting People Grant | 213 |
| 2,697 | Other contributions | 3,096 |
| 37,828 | Sub-Total | 40,108 |
| 46,706 | Total | 46,514 |

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; the repayment will only occur if these conditions are not met. The balances at the year-end are as follows:

| 31 March 2011 £'000 | Capital Grants Received in Advance | 31 March 2012 £'000 |
|---------------------------|---|---------------------------|
| 303 | Section 106 advances | 586 |
| 303 | Total Grants received in advance | 586 |

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 effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides substantial funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 29 on Reporting for Resources Allocation Decisions. Grant receipts outstanding at March 2012 are shown in Note 33.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2011/2012 is shown in Note 30. During 2011/12, a grant of £10,000 was made to the Cunningham Hub project; the awarding committee was the Cunningham Hub Management Committee, which was chaired by Cllr Donald. The grant was made with proper consideration of declaration of interest. Details of all these transactions are recorded in the Register of Member's Interest, open to public inspection at the Civic Centre during office hours.

Officers

During 2011/2012 two officers declared a pecuniary interest in accordance with section 117 of the Local Government Act 1972.

Entities Controlled or Significantly Influenced by the Council

The Council manages Clarence Park, which has in part been set up as a charity, and is incorporated in the Council's accounts. The Council has an agreement with five other Hertfordshire authorities for the running of the West Herts. 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 assets and liabilities of the Joint Committee are shared by the five Hertfordshire local authorities in ratio of their populations except that the Land and building assets are vested in the local authority where the Crematorium is situated. The Council's share of the assets and liabilities and of the net income is immaterial to the accounts and has not been consolidated.

Notes to the Accounts

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.

| 2010/2011 £'000 | Capital financing Requirement | 2011/2012 £'000 |
|--------------------|---|--------------------|
| 10,586 | Opening Capital Financing Requirement | 12,504 |
| | Capital investment | |
| 8,664 | Property, Plant and Equipment | 18,300 |
| 202 | Intangible assets | 145 |
| 899 | Revenue Expenditure funded from Capital under | 847 |
| - | HRA - Self Financing payment | 175,916 |
| 9,765 | | 195,208 |
| | Less Sources of Finance | |
| 923 | Capital Receipts | 1,424 |
| 1,557 | Government Grants | 258 |
| 86 | Third Party Contributions | 437 |
| 5,141 | Major Repairs Reserve | 3,962 |
| 140 | Leaseholders Recharge | 206 |
| - | Other reserves | 630 |
| - | Minimum Revenue provision | 116 |
| 7,847 | | 7,033 |
| 12,504 | Closing Capital Financing Requirement | 200,679 |

| 2010/2011 £'000 | Explanation of movements in year | 2011/2012 £'000 |
|--------------------|--|--------------------|
| 918 | Increase in underlying need to borrow (supported by government financial assistance) | - |
| 1,000 | Increase in underlying need to borrow (unsupported by government financial assistance) | 188,175 |
| 1,918 | Increase/(decrease) in Capital Financing Requirement | 188,175 |

Notes to the Accounts

36. Leases

Council as Lessee

Operating Leases

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

| 2010/2011 £'000 | | 2011/2012 £'000 |
|--------------------|---|--------------------|
| 6 | Not later than one year | 25 |
| 6 | Later than one year and not later than five years | 77 |
| - | - Later than five years | - |
| 12 | | 102 |

The expenditure charged to the Comprehensive I&E Statement during the year in relation to these leases was £12,000.

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 payments receivable under non-cancellable leases in future years are:

| 2010/2011 £'000 | | 2011/2012 £'000 |
|--------------------|---|--------------------|
| 274 | Not later than one year | 445 |
| 533 | Later than one year and not later than five years | 362 |
| 410 | Later than five years | 424 |
| 1,217 | | 1,231 |

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

In 2011/2012 the rent receivable by the Council was £1,231,792 (2010/11 £1,217,204).

Notes to the Accounts

37. Termination Benefits

The Council terminated the contracts of a number of employees in 2011/12, incurring liabilities of £610,076 (£932,874 in 2010/11) – see Note 31 for the number of exit packages and total cost per band.

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 needs to be disclosed at the time that employees earn their future entitlement.

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

Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due.

Notes to the Accounts

38. Transactions Relating to Post-employment Benefits

cont.

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 via the Movement in Reserves Statement.

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:

| 2010/2011 £'000 | Transactions Relating to Post Employment Benefits | 2011/2012 £'000 |
|---|--|--------------------|
| Comprehensive Income and Expenditure Statement | | |
| <i>Cost of Services:</i> | | |
| 1,973 | - Current Service Cost | 1,631 |
| (10,955) | - Past Service Cost/(credit) | 15 |
| - | - Settlements and Curtailments | 628 |
| <i>Financing and Investment Income and Expenditure</i> | | |
| 6,189 | - Interest cost | 5,332 |
| (4,377) | - Expected return on scheme assets | (4,322) |
| (7,170) | Total Post Employment Benefit Charged/(Credited) to the Surplus or Deficit on the Provision of Services | 3,284 |
| <i>Other Post Employment Benefit Charged/(Credited) to the Comprehensive Income and Expenditure</i> | | |
| (15,410) | Actuarial (gains) and losses | (8,987) |
| (15,410) | Total Post Employment Benefit Charged/(Credited) to the Comprehensive Income and Expenditure | (8,987) |
| Movement in Reserves Statement | | |
| 7,170 | Reversal of net charges made to the Surplus or deficit for the Provision of Services for employment benefits in accordance with the Code | (3,284) |
| <i>Actual amount charged against the General Fund Balance for pensions in the year:</i> | | |
| 2,718 | Employers' Contributions payable to the scheme | 2,523 |

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains and losses on pension assets and liabilities line was at 31 March 2012 a loss of £33,012 and at 31 March 2011 a loss of £24.025 million.

Notes to the Accounts

38. Assets and Liabilities in Relation to Post-employment Benefits cont.

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

| 2010/2011 £'000 | Pension Scheme Liabilities | 2011/12 £'000 |
|--------------------|--------------------------------------|------------------|
| 122,108 | Opening balance at 1 April | 98,008 |
| 1,973 | Current Service Cost | 1,631 |
| 6,189 | Interest Cost | 5,332 |
| 620 | Contributions by scheme participants | 566 |
| (17,142) | Actuarial (gains) and losses | 5,973 |
| (4,785) | Benefits Paid | (4,984) |
| (10,955) | Past Service Costs/(Credit) | 15 |
| - | Curtailments | 628 |
| 98,008 | Closing Balance 31 March | 107,169 |

Reconciliation of fair value of the scheme assets:

| 2010/2011 £'000 | Pension Scheme Assets | 2011/12 £'000 |
|--------------------|--------------------------------------|------------------|
| 63,293 | Opening balance at 1 April | 64,491 |
| 4,377 | Expected rate of return | 4,322 |
| (1,732) | Actuarial gains and (losses) | (3,014) |
| 2,718 | Employer contributions | 2,523 |
| 620 | Contributions by scheme participants | 566 |
| (4,785) | Benefits paid | (4,984) |
| 64,491 | Closing Balance 31 March 2012 | 63,904 |

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

The actual return on scheme assets in the year was £1.320m(2010/11 £5.541m)

Notes to the Accounts

38. Scheme history cont.

The following table shows the pension scheme assets, liabilities and net deficit over a five year period.

| Pension Scheme History | 2011/2012 | 2010/2011 | 2009/2010 | 2008/2009 | 2007/2008 |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Present Value of Liabilities | (107,169) | (98,008) | (122,108) | (78,836) | (79,816) |
| Fair values of assets in the scheme | 63,904 | 64,491 | 63,293 | 49,034 | 62,917 |
| Deficit in the scheme | (43,265) | (33,517) | (58,815) | (29,802) | (16,899) |

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £43.265 million has a 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.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2013 is £2.319 million.

Basis for Estimating assets and liabilities

Liabilities have been assessed on 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 2010.

Notes to the Accounts

38. The principal assumptions used by the actuary have been:
cont.

| 31 March 2011 | Actuarial Assumptions | 31 March 2012 |
|------------------|--|------------------|
| | Long-term expected rate of return on assets in the scheme | |
| 7.5% | Equity investments | 6.2% |
| 4.9% | Bonds | 4.0% |
| 5.5% | Property | 4.4% |
| 4.6% | Cash | 3.5% |
| | Mortality assumptions | |
| | Longevity at 65 for current pensioners | |
| 21 | Men | 21 |
| 23.8 | Women | 23.8 |
| | Longevity at 65 for future pensioner pensioners | |
| 22.9 | Men | 22.9 |
| 25.7 | Women | 25.7 |
| 2.8% | Rate of inflation | 2.5% |
| 5.1% | Rate of increase in salaries | 4.8% |
| 6.8% | Rate of increase in pensions | 5.5% |
| 5.5% | Rate for discounting scheme liabilities | 4.8% |

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

| 31 March 2011 % | Pension Scheme Assets in Proportion to Total Assets Held | 31 March 2012 % |
|-----------------------|---|-----------------------|
| 73 | Equity Investments | 69 |
| 19 | Bonds | 18 |
| 4 | Property | 6 |
| 4 | Cash | 7 |
| 100 | | 100 |

Notes to the Accounts

38. History of Experience Gains and Losses

cont.

The actuarial gains identified as movements of Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012.

| History of Experience Gains and Losses | 2011/2012 | 2010/2011 | 2009/2010 | 2008/2009 Restated | 2007/2008 |
|---|-----------|-----------|-----------|--------------------|-----------|
| | % | % | % | % | % |
| Difference between the expected and actual return on assets | -4.7% | -2.7% | 19.9% | -40.0% | -11.1% |
| Experience gains and losses on liabilities | -5.6% | 17.5% | 0.0% | 0.0% | -3.9% |

39. Contingent Liabilities

- i) 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 the company 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 holder's part of the claims paid from 1 October 1993. The total amount of claims they could ask for is £501,277.75 in 2011 - 2012 (£501,277.75 in 2010 - 2011).
- ii) The Council has been given notice of a compensation claim from Amalgamated Personal Property Searches Ltd in respect of restitution for fees charged for personal property searches since 1st January 2005 and for breach of the Competition Act 1998. The claim is for £400 million and is against 375 local authorities and the Council is named as one of the defendants. We estimate our potential liability to be £150,000 plus interest and costs.

Notes to the Accounts

40. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit Risk

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £14,015,431 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 2012 that this was likely to crystallise.

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

Notes to the Accounts

40. The Council generally allows its customers 14 days credit. Of the £967,302 (2010/2011
 cont. £1,030,104) outstanding from customers, £805,002 (2010/2011 £609,000) is past due and this is analysed by age as follows :

| 31 March 2011 £'000 | Trade Debtors Ageing | 31 March 2012 £'000 |
|---------------------------|----------------------------|---------------------------|
| 32 | Less than 3 months overdue | 383 |
| 242 | 3 to 6 months overdue | 69 |
| 110 | 7 months to 1 year overdue | 85 |
| 225 | More than 1 year overdue | 268 |
| 609 | | 805 |

The increase in 'less than three months overdue' related mainly to the late payment of two major accounts, which were subsequently paid. The Council considers that adequate provision has been made for the impairment of trade debtors.

Liquidity Risk

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

In order to provide the funds to pay for the Housing Self Financing debt and existing debt, the council borrowed £189.6 million in the year, including the £175.9 million for Housing Self Financing. This takes the total housing debt to £191.1 million. The council considered many borrowing options and decided that the best was to borrow from the PWLB at the favourable HSF rates offered by them. In light of current low interest rates, all borrowings have been 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.

There is therefore 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:

Notes to the Accounts

40.
cont.

| 31 March 2011 £'000 | Maturity Analysis of Financial Liabilities | 31 March 2012 £'000 |
|---------------------------|--|---------------------------|
| 1,000 | Less than one year | - |
| - | - Between one and two years | 1,000 |
| - | - Between two and five years | 9,660 |
| - | - Between five and ten years | 41,000 |
| - | - Between ten and fifteen years | 71,000 |
| - | - Between fifteen and twenty years | 66,916 |
| 1,500 | More than twenty years | 1,500 |
| 2,500 | | 191,076 |

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

Market Risk

Interest Rate risk

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

The average interest rate earned on investments during the year was 0.967%, and if interest rates throughout the year had been 1% higher this would have increased the amount of interest earned on investments by £190,000.

As mentioned above, all debt is at fixed interest rates ranging from 0.56% to 4.65% for the longest term debt, with a weighted average rate of 2.74%.

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 – Five Year Summary of Transactions

Information on heritage asset transactions has not been given for any period before 01 April 2010 as it is not considered practicable to do so.

| 31 March 2011 £'000 | Heritage Assets | 31 March 2012 £'000 |
|---------------------------|--|---------------------------|
| | Cost of Acquisitions of Heritage Assets | |
| 3,860 | Exhibits | 3,860 |
| 657 | Silver | 657 |
| 43 | Civic Regalia | 43 |
| 600 | Cups and Trophies | 600 |
| 34 | Sculptures | 34 |
| 5,194 | Total cost of Acquisitions | 5,194 |
| 5,194 | Carrying Value | 5,194 |

42. Heritage Assets – Further Information on the Museum's Collections

St Albans Museums is a directly provided service of the Council.

The St Albans Museums' statement of purpose is:

To safeguard the special heritage of St Albans and district, and share it widely.

There are two accredited museums:

- Verulamium Museum - Iron Age & Roman Town
- The Museum of St Albans - Post –Roman St Albans to the present day

The service also manages historic properties:

- The Clock Tower
- The Courtroom and Cells in St Albans' Old Town Hall
- Sopwell Ruins
- The Hypocaust & Roman Mosaic in Verulamium Park.

The reserve collection is stored in the two Museum buildings and an off-site store at Sandridge Gate Business Park

The museum's collections consists 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.

In building a comprehensive record of the lives of the people of the City & District, St Albans Museums Service seeks to represent all elements of its community.

Notes to the Accounts

42. The Collections

cont. The main elements of the collection are:

Archaeology Collection

- Late Iron Age and Roman archaeological finds from Verulamium and its hinterland within the City & District boundaries, an area of approximately 200 km². The most significant finds are Late Iron Age burial, cemeteries, coinage and pottery, Roman mosaics and wall plasters, burials, and everyday objects from a type Romano-British town.
- Small quantities of local prehistoric archaeological material
- In-situ hypocaust & Roman mosaic
- Archaeological material from the Late Saxon and later monastic and market town of St Albans
- the residue of Sir John Evans' archaeological collections

Art Collection

- Hertfordshire-wide maps, prints, watercolours and drawings from the Lewis Evans collection, including comprehensive material for St Albans to 1900
- Prints, drawings, watercolours & Oil Paintings of St Albans & District or by St Albans & District based artists.
- an extensive twentieth-century photographic record of St Albans & District

Social History Collection

- social history collections from the post-medieval thoroughfare, market, and commuter town of St Albans
- nineteenth-twentieth century local ephemera

Other collections

- the residue of geological, palaeontological, and natural history collections
- English trade tools of the period 1700-1950 comprising the Salaman Collection, an important partially published collection.

The Clock Tower

- the fifteenth-century town belfry, the only example in Britain, with its original great bell

Sopwell Nunnery

- ruins of Sir Richard Lee's house on the site of Sopwell Nunnery, St Albans

Notes to the Accounts

42. Heritage Assets of Particular Importance

cont.

Archaeology

The archaeology collection holds fine examples of Romano British artefacts. The following are particularly significant in monetary value.

- Five complete mosaics, amongst the best in the country
- Painted ceiling and wall plaster
- Tableware
- Coins
- Bronze Figures - including Venus & Mercury
- Glassware
- Silver Brooches
- Bronze Jewellery
- Chieftain's burial finds including chain mail, silver inlaid horse & carriage artefacts

Social History

The social history collection holds artefacts relating to the Saxon, Medieval & Tudor St Albans. The following are particularly significant in monetary value.

- Pilgrim badge
- Sir Richard Lee's helmet
- Tudor Roundels
- Abbey floor tiles
- Stumpwork Mirror
- Various medals
- Salaman Collection of Trade Tools (entire collection)

Art Collection

- Buckingham Collection of watercolours
- The Stone Pickers, oil painting by Claussen
- Two Louis Wain paintings – Cats Tea Party at Napsbury & Cat
- Harry Hine paintings of St Albans views

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.

Notes to the Accounts

42. Documentation

cont. The objectives for the St Albans Museums Documentation plan are:

- To have a clear understanding of what is in the museum's collections, where there are gaps for collecting purposes and what collections are inappropriately held.
- To implement guidelines and systems of work needed to meet Accreditation requirements.
- To plan and deliver training sessions to volunteers over the next 5 years to ensure we continue to work to these standards.
- To have a comprehensive documentation system to increase physical and intellectual access to collections.
- To follow the guidelines laid down in the Documentation Procedural Manual to aid future curators/volunteers/keepers/custodians in maintaining the collections for future generations.

Entry documentation is in the form of the standard MDA entry forms and is carried out by members of the curatorial team.

Preservation and Management - Collections Care

St Albans Museums Service uses the Arts Council England (formerly Museum Libraries and Archive Council) Benchmarks in Collections Care as a top level performance management review tool for assessing its Collections 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 with inherent vice that are not stable under the normal environmental 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.

Heritage Operational Property

A number of Properties owned by the Council are of historic interest but these are operational assets and therefore held within Property Plant and Equipment.

Additional Heritage Assets Non Operational

During 2011/12 an additional Heritage Asset has been recognised. These assets have no intrinsic value but are held and maintained principally for its contribution to the knowledge and culture. These assets are listed below

Notes to the Accounts

42.
cont.

| Asset | Location / Description | Further Information |
|---------------------|--|---|
| Park | Verulamium Park - Community Asset | Scheduled Ancient Monument - contains remains of Roman Verulamium |
| Heritage Site | Hypocaust only - Community Asset | Remains of Roman Heating system Scheduled Monument |
| Roman Ruin | Exposed Foundation to the Roman London Gate | Ruins & part of Verulamium Park Scheduled Monument. Under Guardianship of English heritage |
| Roman Ruin | Remains of the Roman City Wall | Ruins & part of Verulamium Park Scheduled Monument. Under Guardianship of English heritage |
| Open Spaces & Ruins | Within the open space there are the ruins of the Sopwell Nunnery | Ruins of Sopwell Nunnery - Listed & Scheduled Monument |
| Cultural | Remains of chimney stack - Non Operational Community Asset | Remains of Chimney Stack which is Listed |
| Roman Dyke | Roman Dyke - Community Asset | Archelological defence |
| Ornamental Gardens | Glossop Memorial Gardens | |
| Ornamental Gardens | Archeological - Community Asset | Listed & Scheduled Monument. Cemetery for Abbey |
| Ornamental Gardens | Archeological - Community Asset | Entrance to Abbey Grounds Medieval/ Saxton Town Boundary |
| Recreation Ground | Archeological - Community Asset | Boundary |
| Playing Field | Playing Field - Community Assets | Pre Roman Monument |

Notes to the Accounts

43. Heritage Assets – Change in Accounting Policy Required by the Code of Practice for Local Authority Accounting in the UK

Heritage Assets

For 2011/12 the Council is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. The Council's accounting policies for recognition and measurement of heritage assets are set out in the Council's summary of significant accounting policies (see Note 1.11)

In applying the new accounting policy, the Council has identified assets of £5.194m which should now be recognised as heritage assets and measured at £5.194m with a corresponding increase in the Revaluation Reserve.

The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effect of the restatement are as follows:

- At April 2010 the carrying amount of the Heritage Assets is presented at its valuation at £5.194m.

The fully restated 1 April 2010 Balance sheet is provided on page 18. The adjustments that have been made to the Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

| | Opening Balances as at 1 April 2010 £000 | Restatement £000 | Restatement required to opening balances as at 1 April 2010 £000 |
|-----------------------------|---|---------------------|---|
| Property, Plant & Equipment | 540,340 | 540,340 | - |
| Heritage Assets | - | 5,194 | 5,194 |
| Long-Term Assets | 549,362 | 554,556 | 5,194 |
| Net Assets | 496,162 | 501,356 | 5,194 |
| Unusable Reserves | 479,265 | 484,459 | 5,194 |
| Total Reserves | 496,162 | 501,356 | 5,194 |

Notes to the Accounts

43. Movement in Reserves Statement – Unusable reserves 2010/11 cont.

The restatement of the relevant lines of the Movement in Reserves Statement, as of 31 March 2011, as a result of the application of this new accounting policy, is presented in the table below:

| | As Previously Stated 31 March 2011 £000 | As Restated 31 March 2011 £000 | Restatement 2011 £000 |
|---|--|--------------------------------------|-----------------------------|
| Balance of Unusable Reserves as at the end of the previous reporting period – 31 March 2010 | 479,265 | 479,265 | - |
| Other Comprehensive Income and Expenditure | 22,930 | 28,124 | 5,194 |
| Adjustments between the accounting basis and the funding basis under regulations | (92,407) | (92,407) | - |
| Increase/(decrease) in the year | (69,477) | (64,283) | 5,194 |
| Balance at the end of the current reporting period 31 March 2011 | 409,788 | 414,982 | 5,194 |

Effect on balance Sheet 31 March 2011

The resulting Balance Sheet for 31 March 2011 is provided on page 18. The adjustments that have been made to that Balance sheet over the version published in the 2011/12 Statement of Accounts are as follows:

| | As Previously Stated 31 March 2011 £000 | As Restated 31 March 2011 £000 | Restatement 2011 £000 |
|-----------------------------|--|--------------------------------------|-----------------------------|
| Property, Plant & Equipment | 447,255 | 447,255 | - |
| Heritage Assets | - | 5,194 | 5,194 |
| Long-Term Assets | 456,174 | 461,368 | 5,194 |
| Net Assets | 427,532 | 432,726 | 5,194 |
| Unusable Reserves | 409,788 | 414,982 | 5,194 |
| Total Reserves | 427,532 | 432,726 | 5,194 |

The effect of the change in accounting policy has been that Heritage Assets are recognized at £5.2million on the Balance Sheet being credited to the Revaluation Reserve.

HRA Income and Expenditure Statement

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

| 2010/2011 £'000 | Housing Revenue Account Income and Expenditure Statement | 2011/2012 £'000 |
|--------------------|---|--------------------|
| | Expenditure | |
| 3,341 | Repairs and Maintenance | 4,049 |
| 5,180 | Supervision and Management | 5,170 |
| 194 | Rents, Rates, Taxes and other charges | 177 |
| 9,978 | Negative HRA subsidy payable | 10,943 |
| - | Housing Self Financing payment to Government | 175,916 |
| 103,905 | Depreciation and impairment of non-current assets | 18,262 |
| 11 | Debt Management costs | 77 |
| 47 | Movement in the allowance for bad debts | 99 |
| 122,656 | Total Expenditure | 214,693 |
| | Income | |
| (22,051) | Dwelling rents | (23,611) |
| (1,164) | Non-dwelling rents | (1,071) |
| (236) | Charges for services and facilities | (349) |
| (37) | Contributions towards expenditure | (28) |
| (201) | Other Government Grants | (213) |
| (23,689) | Total Income | (25,272) |
| 98,967 | Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement | 189,421 |
| 36 | HRA services' share of Corporate and Democratic Core | 183 |
| 99,003 | Net Cost of HRA Services | 189,604 |
| | HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement | |
| 693 | Gain on sale of HRA non-current assets | (894) |
| 79 | Interest payable and similar charges | 122 |
| (27) | Interest and investment income | (51) |
| (72) | Pension interest cost and expected return on pension assets | 198 |
| (646) | Other Income | (546) |
| 99,030 | Deficit for the year on HRA services | 188,433 |

Movement on the HRA Statement

The HRA Income and Expenditure Account show 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 difference between the calculated depreciation on HRA assets and the Housing Subsidy Major Repairs Allowance has to be adjusted back into the balance for the year; and
- The gain or loss on the disposal of HRA assets has to be reversed before a final balance is calculated; and
- Any impairment on HRA assets, 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 differences between the outturn on the Income and Expenditure Account and the Housing Revenue Account Balance.

| 2010/2011 £'000 | Movement on the Housing Revenue Account Statement | 2011/2012 £'000 |
|--------------------|---|--------------------|
| (1,180) | Balance on the HRA at the end of the previous year | (1,689) |
| 99,030 | Deficit for the year on the HRA Income and Expenditure Statement | 188,433 |
| | Adjustments between accounting basis and funding basis under statute | |
| - | Transfer from the Capital Adjustment Account for the housing self financing payment | (175,916) |
| (93,372) | Transfer from the Capital Adjustment Account for the impairment of non-current assets | (7,871) |
| (6,648) | Transfer from Major Repairs Reserve | (6,453) |
| 238 | Annual amortisation of the premiums and discounts in the Financial Instruments Adjustment Account | 15 |
| (693) | Gain on sale of HRA non-current assets | 894 |
| 432 | Capital grants and Contributions Applied | 467 |
| 214 | Other Capital Receipts | 78 |
| 290 | HRA share of contributions to or from the Pensions | (86) |
| (509) | Net (increase) or decrease before transfers to or from reserves | (439) |
| - | Transfers to or (from) reserves | - |
| (509) | (Increase)/decrease in year on the HRA | (439) |
| (1,689) | Balance on the HRA at the end of the current year | (2,128) |

Housing Revenue Account – Notes to the Accounts

H1. Analysis and Value of the Housing Stock

a) Number and Types of Dwelling in the housing stock

The Council was responsible for managing 5,160 dwellings as at 31 March 2012 as follows:

| 31 March 2011 | Number of Dwellings by Type | 31 March 2012 |
|---------------|--------------------------------|---------------|
| | One bedroom dwellings | |
| 327 | - Houses and Bungalows | 327 |
| 1,324 | - Flats | 1,298 |
| | Two bedroom dwellings | |
| 536 | - Houses and Bungalows | 532 |
| 885 | - Flats | 882 |
| | Three bedroom dwellings | |
| 1,957 | - Houses and Bungalows | 1,953 |
| 27 | - Flats | 27 |
| | Four or more bedroom dwellings | |
| 93 | - Houses and Bungalows | 92 |
| 57 | Multi-occupied dwellings | 49 |
| 5,206 | | 5,160 |

On 31 March 2012, 3.44% (2011 – 3.22%) of lettable properties were vacant.

The change in stock can be summarised as follows:

| 2010/2011 | Dwelling Stock Reconciliation | 2011/2012 |
|--------------|---------------------------------------|--------------|
| 5,253 | Stock at 1 April | 5,206 |
| (9) | Less: Right to buy sales | (6) |
| (38) | Reclassifications and other disposals | (40) |
| 5,206 | Stock at 31 March | 5,160 |

Reclassifications include conversions and change in use of property.

Housing Revenue Account – Notes to the Accounts

H1
cont.

b) **Balance Sheet Values**

HRA dwellings are valued using the Beacon basis whereby all properties are linked to a 'beacon' property and valued in line with the change in value of the 'beacon'. All beacon properties were revalued in 2011/2012. The valuation is at 'Economic Use Value' reduced by multiplying by a factor to reflect social housing tenancies. The factor is set by central government and is 35% in 2011/2012 (35% in 2010/2011).

| 31 March 2011 £'000 | Housing Property Balance Sheet Values | 31 March 2012 £'000 |
|---------------------------|---------------------------------------|---------------------------|
| 383,622 | Dwellings | 373,980 |
| 4,275 | Garages | 4,151 |
| 387,897 | Operational Assets | 378,131 |
| 3,091 | Non-Operational Assets (Shops etc) | 4,045 |
| 390,988 | | 382,176 |

c) **Vacant Possession Value**

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

| At 1 April 2011 £'000 | Vacant Possession Value | At 31 March 2012 £'000 |
|-----------------------------|-------------------------|------------------------------|
| 1,073,950 | HRA Dwellings | 1,071,066 |

Housing Revenue Account – Notes to the Accounts

H2. Major Repairs Reserve

The Major Repairs Reserve came into operation in 2001/2002 and reflected a change in the subsidy regime in that year. A credit to the reserve, the Major Repairs Allowance, is received as part of the subsidy scheme and the reserve is used to fund capital expenditure on council dwellings. The movement in the reserve was as follows:

| 2010/2011 £'000 | Major Repairs Reserve | 2011/2012 £'000 |
|--------------------|---|--------------------|
| (1,277) | Opening Balance 1 April | (25) |
| | Transfer to Reserve in year | |
| (10,479) | Depreciation Dwellings | (10,320) |
| (53) | Depreciation Non-Dwellings | (70) |
| 6,648 | Transferred to HRA in year | 6,453 |
| (3,884) | Sub-total (equivalent to MRA in note H7) | (3,937) |
| 5,141 | Used to fund capital expenditure in year | 3,962 |
| (5) | Interest Received | - |
| (25) | Closing Balance at 31 March | - |

H3. Capital Expenditure

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

| 2010/2011 £'000 | Categories of Capital Expenditure | 2011/2012 £'000 |
|--------------------|------------------------------------|--------------------|
| 2,208 | Kitchens and bathrooms | 2,059 |
| 367 | Disabled adaptations | 381 |
| 1,352 | External walls and roofing | 1,075 |
| 97 | Windows and doors | 1,244 |
| 2,174 | Heating, wiring and plumbing | 1,491 |
| 73 | Conversions and extensions | 269 |
| 244 | Other | 923 |
| 6,515 | Council Dwellings Additions | 7,443 |

Housing Revenue Account – Notes to the Accounts

H3 cont. b) This was financed as follows:

| 2010/2011 £'000 | Financing of Capital Expenditure | 2011/2012 £'000 |
|--------------------|----------------------------------|--------------------|
| 5,141 | Major Repairs Reserve | 3,962 |
| 908 | Supported capital borrowing | 3,275 |
| 316 | Capital Receipts Reserve | - |
| 140 | Grants and contributions | 206 |
| 6,505 | Capital additions | 7,443 |

c) The Council has capital contract commitments as at 31 March 2012 of £1.93 million relating to Housing Investment Programme schemes.

H4. Capital Receipts

In accordance with the requirements of the Local Authorities (Capital Finance and Accounting)(England) Regulations, the Council pays 75% of capital receipts from the disposal of housing assets to the National Pool. The number of council house sales was 6 (9 in 2010/2011). The following table shows the movements on the capital receipts reserve for the year.

| 2010/2011 £'000 | Capital Receipts | 2011/2012 £'000 |
|--------------------|----------------------------------|--------------------|
| 1,521 | House sales (subject to pooling) | 1,051 |
| 23 | Land sales | - |
| 21 | Other poolable receipts | 64 |
| 878 | Non-poolable receipts | 215 |
| 2,443 | Gross capital receipts | 1,330 |
| (5) | Less Costs | (3) |
| | Payable to National Pool | |
| (1,163) | For current year | (831) |
| 3 | For prior year | - |
| 1,278 | Retained capital receipts | 496 |

The Housing Capital receipt balance on 31 March 2012 was £7,795,549 (2011 £8,218,237).

Housing Revenue Account – Notes to the Accounts

H5. Depreciation

Council dwellings are depreciated under 'component accounting', to reflect the differing useful lives of the components of the buildings. Land and buildings is split on a 33:67 basis with the building portion further split into 3 main component groups and depreciated on a straight line basis over the following periods:

- Land – no depreciation
- Structure and pitched roofs: 50 years
- Kitchens and Bathrooms: 20 years
- Electrics/heating/flat roofs: 10 years

| Charged 2010/2011 £'000 | Depreciation | Charged 2011/2012 £'000 |
|--|---------------------------|--|
| | Operational Assets | |
| 10,429 | Dwellings | 10,320 |
| 53 | Garages | 70 |
| 10,482 | | 10,390 |

H6. Impairment

Property prices remained flat during the year but an impairment charge of £6.649 million was incurred due to writing off 2010/2011 capital expenditure, which for accounting purposes is deemed not to add value. In 2010/2011 an impairment charge of £93.372 million was incurred due to a reduction in the government factor used to value social housing. Impairment charges are not chargeable to tenants under statute and have therefore been reversed out in the Statement of Movement on the HRA leading to a nil effect on the HRA balance.

Housing Revenue Account – Notes to the Accounts

H7. HRA Subsidy

Housing Subsidy is a scheme whereby central government reallocate housing resources on a national basis. The Housing Subsidy Determination issued by the Government each year sets out how subsidy is to be calculated. Components of subsidy include both positive elements (e.g. management and maintenance allowances etc.) and negative elements (e.g. rent income etc.). If the net result shows a positive figure the Council's Housing Revenue Account receives a subsidy of that amount from the Government but if the net result shows a negative figure the Council is required to pay that amount to the Government. The table below shows the calculation of the subsidy payable:

| 2010/2011 £'000 | HRA Subsidy | 2011/2012 £'000 |
|--------------------|---|--------------------|
| | Notional expenditure | |
| 8,253 | Management and Maintenance | 8,391 |
| 3,884 | Major Repairs Allowance | 3,937 |
| 512 | Charges for capital | 152 |
| | Adjustment for Self Financing | 63 |
| 12,649 | Total notional expenditure | 12,543 |
| | Notional Income | |
| (22,515) | Rents | (23,361) |
| (1) | Interest on receipts | (1) |
| (22,516) | Total notional income | (23,362) |
| (111) | (Under)/Over paid prior year | (124) |
| (9,978) | Total Negative HRA Subsidy payable to the Government | (10,943) |

2011/2012 is the last year of the Housing Subsidy Scheme. It has been replaced by Housing Self Finance, which is discussed in note 5.1.

Housing Revenue Account – Notes to the Accounts

H8. Pension Costs

The following table shows the charges to the HRA, in accordance with FRS 17, to give the 'Net charge to the HRA' required by the Code. The adjustment in the 'Movement in HRA Reserves Statement' is then shown to arrive at the amount charged against the HRA balance as required by statute, which is the employers' contributions actually paid into the scheme.

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

| 2010/2011 £'000 | Pension Costs | 2011/2012 £'000 |
|--------------------|--|--------------------|
| | Net Cost of Services: | |
| 357 | - Current Service Cost | 447 |
| | Net Operating Expenditure: | |
| (246) | - Interest Costs | 1,048 |
| 174 | - Expected return on assets in the scheme | (850) |
| 285 | Net charge to the HRA | 645 |
| | Amounts to be met from Government Grants and Local taxation: | |
| 290 | - movement on pensions reserve | (86) |
| | <i>Actual amount charged against Council tax for pensions in the year:</i> | |
| 575 | Employers' contributions payable to the scheme | 559 |

H9. Rent Arrears and Bad Debts

a) Arrears – amounts outstanding from Council Tenants

| 2010/2011 £'000 | Council Tenant Rent Arrears | 2011/2012 £'000 |
|--------------------|---|--------------------|
| 756 | Arrears at 31 March | 782 |
| 3.3% | Rent arrears as a percentage of gross rent income | 3.4% |

Housing Revenue Account – Notes to the Accounts

H9 cont. b) Bad Debts – provision for non-payment of rents

| 2010/2011 £'000 | Bad Debt Provision | 2011/2012 £'000 |
|--------------------|---------------------------------------|--------------------|
| 305 | Bad debts provision at 1 April | 277 |
| (75) | Debts written off in the year | (127) |
| 47 | Increase/(decrease) in provision | 99 |
| 277 | Bad debt provision at 31 March | 249 |

H10. Rent Rebates

Assistance with rents for those on low incomes is available under the Housing Benefits Scheme. 56.9% (2010/2011 52.6%) of the Council's rents receivable are by way of benefits. Rent rebates are chargeable to the General Fund and reclaimed from central government by way of a Housing Benefit grant.

H11. Interest Payable Premiums and Discounts

When the Council repaid its external debt in 2001/2002 it was required to pay a premium to the lender and the original premium charged of £3.610 million has been written off over 10 years. The balance on the Financial Instruments Adjustment Account of £15,000 at 31 March 2011 represented the balance of the premium still to be written off. In 2011/2012 £15,000 has been written off to the HRA leaving a nil balance in the FIAA as at 31 March 2012.

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

| 2010/2011 £'000 | Financial Instruments Adjustment Account | 2011/2012 £'000 |
|--------------------|---|--------------------|
| 253 | Balance at 1 April | 15 |
| (238) | Proportion of premiums incurred in previous years to be charged against the HRA Balance in accordance with statutory requirements | (15) |
| 15 | Balance at 31 March | - |

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 taxpayers and distribution to local authorities and the Government of the council tax and non-domestic rates.

| 2010/2011 £'000 | Collection Fund Income and Expenditure Account | Note | 2011/2012 £'000 |
|--------------------|--|-----------|--------------------|
| | Income | | |
| (84,452) | Council Tax | C1 | (85,164) |
| (6,643) | Transfers from the General Fund - Council tax benefits | | (6,614) |
| (56,017) | Income collectable from business ratepayers | C2 | (60,910) |
| (147,112) | Amounts required by statute to be credited to the Collection Fund | | (152,688) |
| | Expenditure | | |
| | Precepts and Demands: | | |
| 68,339 | Hertfordshire County Council | | 68,671 |
| 9,029 | Hertfordshire Police Authority | | 9,073 |
| 12,630 | St Albans District Council (including Parishes) | | 12,577 |
| 89,998 | | | 90,321 |
| | Business rates | | |
| 55,458 | - Payment to the national pool | | 60,472 |
| 559 | - Costs of collection | | 438 |
| 56,017 | | | 60,910 |
| | Impairment of debts/appeals | | |
| 93 | - write-offs of uncollectable amounts | | 58 |
| 180 | - allowance for impairment | | 199 |
| 273 | | | 257 |
| 674 | Contributions towards previous year's estimated Collection Fund surplus | C3 | 882 |
| 146,962 | Total Expenditure | | 152,370 |
| (150) | Movement on Fund balance | | (318) |
| (729) | Balance at 1 April brought forward | | (879) |
| (879) | Balance at 31 March carried forward | C4 | (1,197) |
| | Fund balance carried forward allocation: | | |
| (124) | St Albans District Council (included in reserves) | | (167) |
| (755) | Precepting Authorities (included in creditors) | | (1,030) |
| (879) | Total carried forward | | (1,197) |

Collection Fund – Notes to the Accounts

C1. Council Tax

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

The amount of Council Tax is estimated by calculating the amount of income required to be taken from the Collection Fund by the precepting authorities (Hertfordshire County Council, Hertfordshire Police Council, 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.

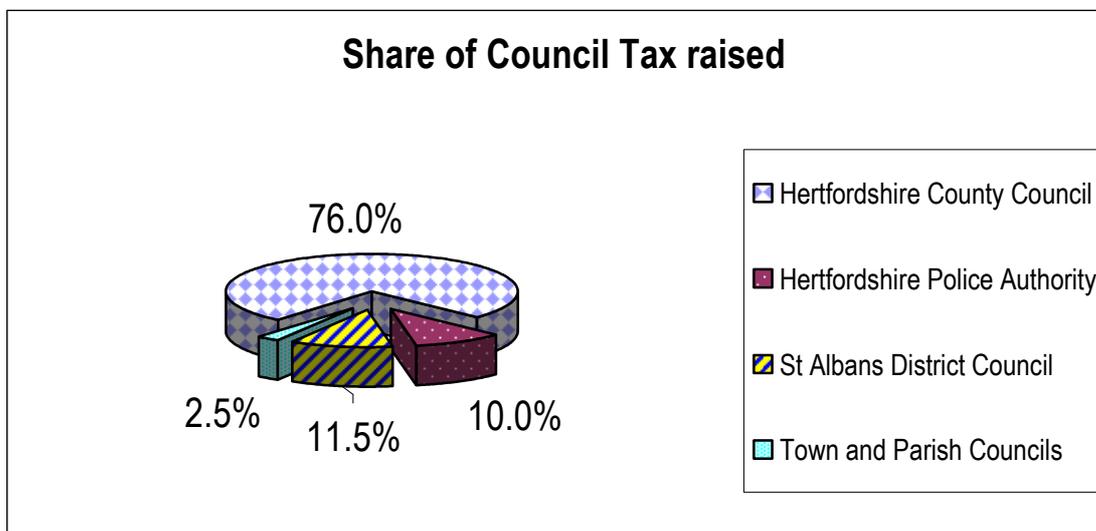
| Band | Property Value | Number of dwellings | Ratios | Band D equivalents |
|---|-------------------------------|------------------------|--------|-----------------------|
| A | up to £40,000 | 730 | 0.67 | 489 |
| B | between £40,001 and £52,000 | 2,345 | 0.78 | 1,829 |
| C | between £52,001 and £68,000 | 7,467 | 0.89 | 6,646 |
| D | between £68,001 and £88,000 | 13,956 | 1.00 | 13,956 |
| E | between £88,001 and £120,000 | 11,467 | 1.22 | 13,990 |
| F | between £120,001 and £160,000 | 8,215 | 1.44 | 11,830 |
| G | between £160,001 and £320,000 | 6,717 | 1.67 | 11,217 |
| H | over £320,000 | 1,021 | 2.00 | 2,041 |
| | | 51,918 | | 61,998 |
| Less adjustment for non-collection (1.0%) | | | | (620) |
| Council Tax Base for 2011/2012 | | | | 61,378 |
| Council Tax Base for 2010/2011 | | | | 61,081 |

Council Tax Levy at Band D by Precepting Council:

| 2010/2011 | Council Tax Levy at Band D | 2011/2012 |
|------------------|---|------------------|
| £1,118.83 | - Hertfordshire County Council | £1,118.83 |
| £147.82 | - Hertfordshire Police Authority | £147.82 |
| £170.22 | - St Albans District Council | £168.71 |
| £1,436.87 | | £1,435.36 |
| £36.56 | - Add Town and Parish Councils | £36.20 |
| £1,473.43 | Average Council tax Levy at Band D | £1,471.56 |

Collection Fund – Notes to the Accounts

C1.
cont.



C2. Income From Business Rates (NNDR)

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

| 2010/2011 | Business Rate Factors | 2011/2012 |
|---------------|--|---------------|
| £ 159,284,868 | Rateable value at 31 March 2012 as notified by the Valuation Office Agency | £ 157,169,416 |
| 41.4p | NNDR rate poundage | 43.3p |
| 40.7p | Small business rate NNDR | 42.6p |

Collection Fund – Notes to the Accounts

C3. Contributions to Collection Fund Surpluses and Deficits

Each January, the Council estimates what the Collection Fund balance will be on 31 March. If there is an estimated surplus or deficit, it has to be shared between, or recovered from, the Council and the major precepting authorities during the following year. It was estimated that there would be a surplus at 31 March 2011 and this was distributed in 2011/2012 in proportion to the precepts paid in 2010/2011 as follows:

| 2010/2011 £'000 | Precepting Authorities | 2011/2012 £'000 |
|--------------------|----------------------------------|--------------------|
| 484 | - Hertfordshire County Council | 654 |
| 63 | - Hertfordshire Police Authority | 88 |
| 127 | - St Albans District Council | 140 |
| 674 | Total surplus | 882 |

C4. Fund Balance Carried Forward Allocation

The surplus/deficit arising on the Collection Fund will be distributed/ recovered in two parts – the estimate of the surplus for 2011/12 (made in January 2012) will be shared on the basis of the proportionate make up of the bills for the 2011/2012 year of account. The difference between this estimate and the outturn in the 2011/2012 Statement of Accounts will be shared according to the proportionate make up of the bills for the 2012/2013 year of account.

This results in the following allocation:

| 2010/2011 £'000 | Allocation of Collection Fund Balance | 2011/2012 £'000 |
|--------------------|---|--------------------|
| 668 | - Hertfordshire County Council | 910 |
| 87 | - Hertfordshire Police Authority | 120 |
| 755 | Precepting Authorities balance | 1,030 |
| 124 | - St Albans District Council (including Town & Parish Councils) | 167 |
| 879 | Total Collection Fund Surplus | 1,197 |

In accordance with the Accounting Code of Practice, the 'precepting authorities balance' above has been amalgamated with the precepting authorities' shares of the council tax arrears, impairment provision and prepayments and the net balance included in short term creditors in the Balance Sheet.

Annual Governance Statement

ST ALBANS CITY AND DISTRICT COUNCIL ANNUAL GOVERNANCE STATEMENT 2011/12

Scope of responsibility

St Albans City and District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

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

This Annual governance statement explains how the Council has governed itself and also how it meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The purpose of the governance framework

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

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

The Council's financial management arrangements conform with the governance requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Statement on the Role of the Chief Financial Officer in Local Government (2010). The financial management arrangements for the authority and the role of the Chief Financial Officer (s151 officer) now Deputy Chief Executive (Finance) are detailed as appropriate below.

The governance framework described in this statement has been in place at St Albans City and District Council for the year ended 31 March, 2012 and up to the date of approval of the statement of accounts.

The Council's governance arrangements

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

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

Annual Governance Statement

The vision and priorities of the Council are reviewed following the Authority's elections which are held on a three out of every four year cycle. Following the elections held on 5 May 2011 there has been a change in administration. At their meeting held on 7 June 2011 Cabinet agreed in principle new aims and priority actions for 2011/2012. A new corporate plan 2011/16 was presented to and approved by Cabinet and Council in July 2011.

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

The priorities of the Council provide a framework within which service delivery is carried out. The quality of Council services is measured and reviewed through performance indicators (set locally and nationally) and reporting of key performance indicators through a budget and performance summary (to the Council's Cabinet, its Scrutiny Committee focussing on Internal Performance and Chief Executive's Board).

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

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

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

The constitution includes financial regulations and a scheme of delegation which defines financial decision making, and these are regularly updated. Changes to the annual budget agreed by Council can be made as follows:

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

Within the Council's operations there is a specific approach to key and significant decisions.

A key decision is defined as one which:

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

Annual Governance Statement

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

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

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

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

In May 2011 the Council amended the Constitution by appointing an Executive Leader. The Council implemented aspects of the Localism Act relating to it, for example the transfer of assets to Parish Councils, adoption of a new member code of conduct in July 2012 and the Council's proposals to review the level of Council Tax benefit in 2012/ 13 in response to this legislation.

The Council undertook an organisational re-structure of its Officer structure in 2011/12. This was successfully implemented without affecting services.

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

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

As well as the financial, legal and audit regulations in place, other arrangements for monitoring in the authority include contract and procurement, whistle blowing, fraud response and counter fraud and bribery policies and procedures. Contracts over £250,000 are monitored in relation to contract procedure by the Audit Committee.

Annual Governance Statement

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

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

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

When members are elected to the authority, they are assigned a head of service "buddy" who helps them navigate through the organisation and give advice and support on any aspect of the member role.

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

The Council has a communications strategy in place which sets out principles for the Council's communications generally and includes an implementation plan focusing on a number of key deliverables to improve both external and internal communications. A communications plan is also developed for all key corporate projects. Planning is carried out as to how to communicate with staff, councillors and residents on each of these projects.

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

Annual Governance Statement

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

Comprehensive arrangements are in place to research citizens' views and consult them on policies and proposals of the Council. A bi-annual survey of service satisfaction and corporate reputation is carried out most recently the Community Survey in 2010 and there will be a further survey in 2012. A representative sample of residents makes up a Community Panel of over 800 which was refreshed in 2011/12. The Community Panel is consulted on major initiatives and projects, using both quantitative and qualitative methodologies. Individual service departments are able to draw upon the Panel for their own consultation activities.

Mechanisms for liaison, consultation and communication with local areas have been set up as part of the Council's Review of Democratic Arrangements, namely the St Albans City Forum and biannual Parish Conference. Other area and topic specific meetings for parks/leisure and specific services, such as housing, ensure that service users are consulted and informed. Partnership meetings for the Strategic Partnership ('SP') and the Community Safety Partnership, for example, are ways in which statutory and voluntary partners work together and are engaged.

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

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

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

The Council endeavours to ensure that arrangements in place for partnership working are sound. The Council is a partner organisation of the St Albans District Strategic Partnership, formerly the Local Strategic Partnership ('LSP'). The Strategic Partnership (SP) has a constitution in place which states its purpose, its structure, how it works, the roles and responsibilities of member partners and arrangements for monitoring the work of the partnership and its finances. The constitution is regularly updated. There is provision in the SP constitution for the leader of the District Council to be its chair or vice chair, as well as seats for all main parties on the SP Board. This helps to strengthen the democratic accountability of the Partnership. Induction training is held for all new members of the SP. Accountability to the community is ensured through the annual Community Conference, and annual reports on the SP's progress on the Sustainable Community Strategy.

Annual Governance Statement

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

With regards to internal audit:

- Internal Audit operate a risk based process to decide which areas to audit;
- The Internal Audit Manager is the Chair of SADC's Anti Fraud Group;
- Management receive draft Internal Audit reports which are discussed with them and recommendations agreed;
- The Internal Audit Manager is permitted (in the Terms of Reference for Internal Audit) to seek a meeting with the Chair of the Audit Committee, should he feel the need to do so;
- All final Internal Audit reports issued in 2011 / 2012 were submitted to the Audit Committee for consideration. Members have asked questions to the Internal Audit Manager about the contents of these reports.

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 CIPFA Code of Practice for Internal Audit in Local Government.

Review of effectiveness

St Albans City and District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

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

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

Concerning the effectiveness of Internal Audit activity, regulation 6 of the Accounts and Audit (Amendment) (England) Regulations 2006 came into force on 1st April 2006. This requires local authorities to review the effectiveness of their system of Internal Audit once a year and for the findings of the review to be considered by a committee of the Authority (in SADC's case, the Audit Committee) or by the Authority as a whole.

Annual Governance Statement

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

- the Internal Audit Department against the CIPFA Code of Practice for Internal Audit in Local Government 2006;
- the performance of the Audit Committee;
- Quality Control Questionnaires (QCQs) which Internal Audit issue with every final report;
- statements made by the External Auditor;
- Performance Indicators.

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

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

- the work of the Council's Heads of Service and other senior managers;
- the work of the Council's Internal Audit Department including the Annual Report of the Internal Audit Manager which provides assurance in this regard;
- the work of the Council's External Auditor – including the Annual Audit and Inspection Letter and other reports, especially in relation to financial aspects, and other aspects of the Council's governance;
- review of Risk Registers and a new risk strategy introduced in 2011/12;
- consideration of this document by the Council's Heads of Service, Deputy Chief Executives and Chief Executive with particular reference to the wider aspects of governance.

The Audit Committee has reviewed the above and found the system of internal control to be effective for 2011-12.

Significant Governance Issues

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

The work of Internal Audit identified the need for improvements that have now been implemented to the Council's monitoring and formal aspects of the contracts for CCTV and Parking.

The work of the Audit Commission identified that there had been an improvement with regard to problems in previous years around production of an accurate and timely Statement of Accounts, but there was still some work necessary to improve the performance in the production of grant claims for audit. The Council has clarified responsibilities and increased the resources employed on this work as well as commissioning training for operational staff in order to minimise errors. At Cabinet on 20 September 2012 Internal Audit confirmed that these steps had been taken.

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

Annual Governance Statement

Signed:

Executive Leader of the Council

Chief Executive

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

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

Opinion on the Authority financial statements

I have audited the financial statements of St Albans City & District Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of St Albans City & District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

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

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Deputy Chief Executive (Finance) and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of St Albans City & District Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

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

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, St Albans City & District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Delay in certification of completion of the audit

I cannot formally conclude the audit and issue an audit certificate until I have completed the work necessary to issue my assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. I am satisfied that this work does not have a material effect on the financial statements or on my value for money conclusion.

Mark Hodgson
District Auditor

Date: 27th September 2012

Audit Commission, 3rd Floor, Eastbrook, Shaftesbury Road, Cambridge, CB2 8BF.

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 had not been made by the year end.

Actual Expenditure and Income

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

Actuarial Gains and Losses

An 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, buildings, land, vehicles, machinery, cash, investments etc. It is always considered in comparison with liabilities in an organisation's accounts.

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

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

Best Value

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

Glossary of Terms

Budget

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

Capital Expenditure

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

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.

Carry Forward

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

Cash Equivalent

Short term deposits (under 3 months) easily convertible to cash.

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

Collection Fund Adjustment Account

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

Community Assets

Assets that a local Council intends to hold in perpetuity and for the benefit of the whole community that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

Council Tax

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

Counter Party List and Limits

The Counter Party list is the 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 Strategy approved at least annually by full Council.

Creditor

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

Debtor

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

Depreciation

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

Exceptional Items

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

Expenditure

Amounts paid for goods and services received.

External Auditors

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

Glossary of Terms

Fees and Charges

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

Final Accounts

Accounts prepared relating to an accounting period.

Financial Year (also referred to as Fiscal Year)

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

Financial Regulations

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

FRS – Financial Reporting Standard

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

General Fund (GF)

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

Government Grants

Assistance by Government and inter-Government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an 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 of income against expenditure or visa-versa. They are the total amounts received or spent.

Housing Benefits

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

Housing Revenue Account (HRA)

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

IFRS – International Financial Reporting Standards

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

Glossary of Terms

Impairment

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

Income

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

Infrastructure Assets

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

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 this criteria are short term investments and are classified as current assets.

Liabilities

Amounts owed by the Council for goods or services received.

Liquid Resources

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

Local Council Business Growth initiative (LABGI)

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

Minimum Revenue Provision (MRP)

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

Negative Housing Subsidy

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

Glossary of Terms

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.

NNDR – National Non-Domestic rates

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

Non-Current Assets

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

Non-Operational Assets

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

Operational Assets

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.

Precepts

The levy made by one Council on another. Hertfordshire County Council and Hertfordshire Police Constabulary, who do not administer the council tax system, each levy an amount on 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.

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 buy or build houses.

Glossary of Terms

Related Party Transactions

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

Rent Allowances

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

Rent Rebates

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

Reserve

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

Revenue Expenditure

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

Revenue Support Grant

Central Government Grant towards the cost of Local Council Services.

Specific Grant

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

Total Cost

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

Trading Account

A statement detailing expenditure and income for a discrete activity.

Variance

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