



**St Albans**  
City & District Council

# **Statement of Accounts**

## **2012/2013**

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# Explanatory Foreword to the Statement of Accounts

## 1. Introduction

We present the Statement of Accounts for St Albans City and District Council for 2012/2013.

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 2013 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/2013 (The Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Service Reporting Code of Practice for Local Authorities 2012/2013, supported by International Financial Reporting Standards. In England and Wales, The Code constitutes a “proper accounting practice” under the terms of Section 21(2) of the Local Government Act 2003.

The accounts follow this Explanatory Foreword, which 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 accordance with generally accepted accounting practices.
- **Balance Sheet (BS)** – shows the Council’s balances, reserves and long term indebtedness at the financial year end, and the non-current and net current assets employed in its operations.
- **Cash Flow Statement (CFS)** – shows the changes in cash and cash equivalents arising from transactions with third parties for revenue and capital purposes.

### Supplementary Statements

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

# Explanatory Foreword to the Statement of Accounts

## Other Statements

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

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

## 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 £420,000 that has been added to General Fund reserves.

	notes	2012/2013 £'000
<b>Budget</b> The council budgets for a balanced budget		-
<b>Income Variances:</b>		
Housing Benefit Grant	i	(212)
Land Charges income	ii	(98)
Investment Income	iii	(71)
<b>Favourable Income Variances</b>		<b>(381)</b>
<b>Expenditure Variances</b>		
External borrowing	iv	(513)
Contingency	v	(175)
Trading accounts	vi	237
Leisure contract	vii	179
Budgets carried forward to 2013-14	viii	200
Net other variances		33
<b>Favourable Expenditure Variances</b>		<b>(39)</b>
<b>Total Favourable Variances</b>		<b>(420)</b>
<b>General Fund Balance brought forward</b>		<b>(4,619)</b>
<b>Increase in the General Fund Balance</b>		<b>(420)</b>
<b>General Fund Balance carried forward</b>		<b>(5,039)</b>

# Explanatory Foreword to the Statement of Accounts

## 2.1 General Fund results compared to budget cont.

- i. Recovery of overpaid benefits was higher than expected, which resulted in benefit income being higher than benefit spend.
- ii. Land charges income was £98,000 in excess of the budget as, despite the economic downturn, the level of house sales remained high within the district.
- iii. The level of investment return was £71,000 in excess of the budget despite the continuing general low level of interest rates. The Treasury Management Team took advantage of a special offer, high rate, low risk medium term deposit account.
- iv. The cost of borrowing for the Council's capital programme was £513,000 less than the budget as the Council managed its internal cash resources to avoid the cost of external borrowing.
- v. An under spend of £175,000 against the contingency budget set aside for unexpected price increases, unachieved savings or unplanned events during the year
- vi. A one-off accounting adjustment for trading accounts.
- vii. An upfront cost of support to the Council's operator of the new Westminster Lodge leisure facility, which is followed by budget savings in subsequent years.
- viii. Included in 'net other variances' are savings on the cost of some repair and maintenance schemes, which have been postponed until 2013-14 and provision made by transfer of £200,000 to an earmarked reserve.

# 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 2012/2013 was £630,000 less than originally budgeted resulting in a closing HRA reserve balance of £2,758,000.

	notes	2012/2013 £'000
<b>Budgeted HRA surplus</b>		-
<b>Income Variances:</b>		
Rent and other charges to tenants	i	(642)
Other rents		30
Leaseholder charges	ii	(48)
Interest	iii	(66)
<b>Favourable Income Variances</b>		<b>(726)</b>
<b>Expenditure Variances</b>		
Supervision and Management	iv	374
Payment to Central Government	v	(184)
Repairs		(34)
Net other variances		(60)
<b>Favourable Expenditure Variances</b>		<b>96</b>
<b>Total Favourable Variances</b>		<b>(630)</b>
<b>HRA Balance brought forward</b>		<b>(2,128)</b>
<b>Increase in the HRA Balance</b>		<b>(630)</b>
<b>HRA Balance carried forward</b>		<b>(2,758)</b>

- i. The variance on rental income is due to a lower than predicted void rate and from moving properties from 'general needs' to 'temporary accommodation' with an updated rental income.
- ii. Leaseholder management charges were introduced for the first time in 2012/2013.
- iii. Interest income was higher than expected due to a lower than budgeted capital spend and better than expected cash balances (as a result of the removal of monthly subsidy payments with the introduction of Self Financing).
- iv. The variance relates to unexpected high utility costs, an additional temporary employee to assist in managing temporary accommodation, and pension charges.
- v. An estimate expenditure budget was set aside for a final payment to Government for the closing of the Housing Subsidy system, which was not required.

# Explanatory Foreword to the Statement of Accounts

## 3 Significant Events

### 3.1 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) has kept all its rent income in exchange for taking on a one off debt with the government and the 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 repay. The opening debt for the Council was assessed at £175.9 million. Fixed rate loans at favourable interest rates repayable between two and nineteen years were taken out with the Public Works Loans Board (PWLB) and the £175.9 million paid to the government on 28th March 2012.

The effect of the above on the HRA is that instead of a charge to the HRA for negative subsidy payable to the government, which in 2011/2012 was £10,943,000, the council has to pay interest on the loans taken out, which in 2012/2013 was £5,232,000. In addition, depreciation and impairment of non-current assets becomes a real charge to the HRA, whereas in previous years it was reversed out. Accounting regulations allow a five year transitional period where the council does not have to incur the full cost of dwellings depreciation or impairment. The Council has taken advantage of the transitional arrangements and not charged impairment of dwellings of £2,697,000 to the HRA. It is not currently clear what the situation will be after the five year transitional period when such amounts will, under current rules, become chargeable to the HRA.

## 4. Accounting Policies

The Council's Accounting Policies are set out following the Core Financial Statements. There have been no changes during the year.

## 5. 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 2013, the Collection Fund had a surplus of £1,495,000, (2011/2012 surplus £1,197,000), reflecting an in-year surplus of £298,000. The in-year surplus is mainly due to a better than forecast Collection Fund balance at 31 March 2013 offset by an overall increase in the Provision for Bad Debts in 2012/2013. The Council's share of the surplus of £1,495,000 is £209,000, and will be taken into account when setting 2014/2015 Council Tax levels.

# Explanatory Foreword to the Statement of Accounts

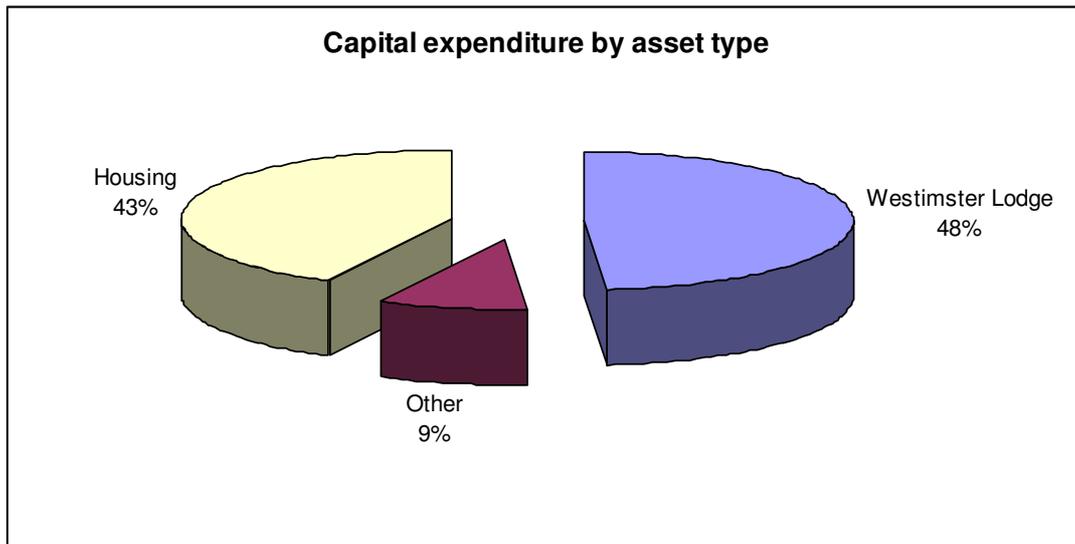
## 6. Capital

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 2012/2013.

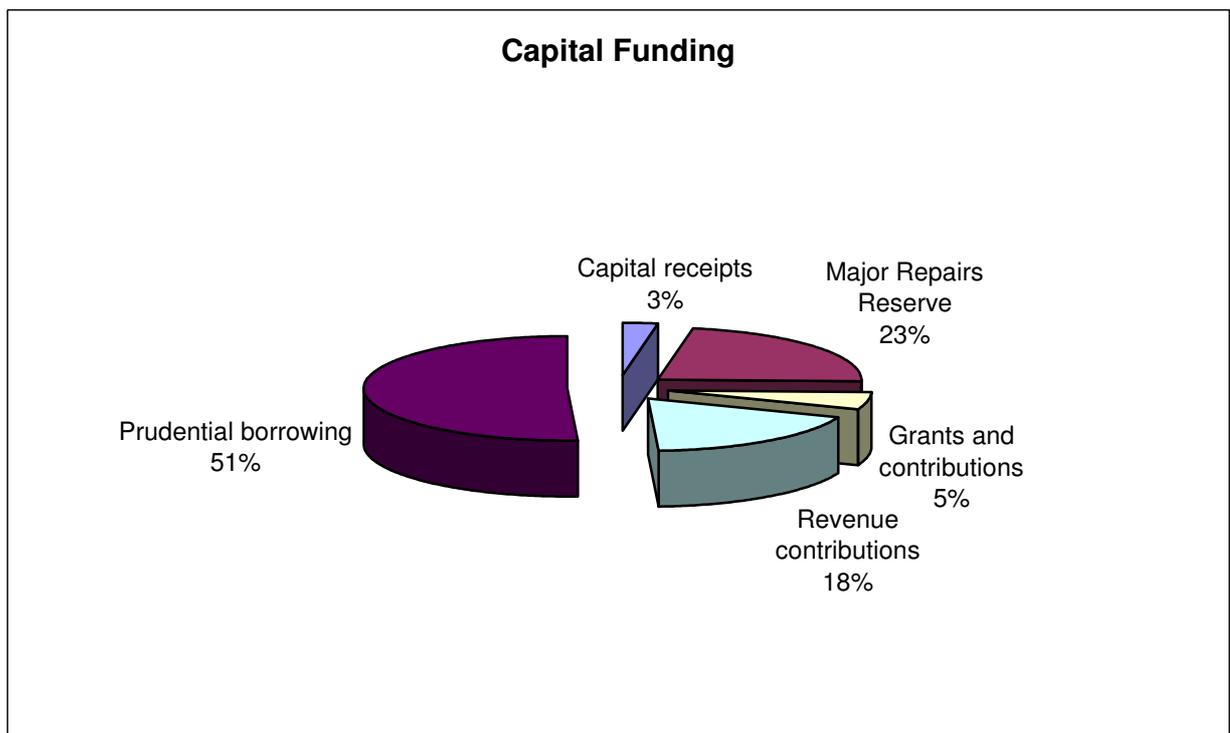
<b>CAPITAL PROGRAMME</b>	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
Intangible assets	53	145
Infrastructure	14	121
Property, plant and equipment	1,752	585
Refcus*	676	847
Dwellings	9,529	7,235
Westminster Lodge Centre	11,353	9,892
Assets held for sale	-	467
<b>Total</b>	<b>23,377</b>	<b>19,292</b>
<b>This Capital Programme was financed as follows:</b>		
	<b>£'000</b>	<b>£'000</b>
Capital receipts	673	1,424
Major repairs reserve	8,006	3,962
Government grants and third party contributions	1,259	1,531
Revenue contribution to capital expenditure	1,581	116
Prudential borrowing**	11,858	12,259
<b>Total</b>	<b>23,377</b>	<b>19,292</b>
<b>APPROVED CAPITAL EXPENDITURE FOR THE FOLLOWING YEARS IS:</b>		
	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
General Fund	10,912	-
Housing investment programme (HIP)	13,120	11,786
<b>Total Capital Expenditure</b>	<b>24,032</b>	<b>11,786</b>
<b>Financed by:</b>		
Borrowing requirements	3,375	-
Revenue contributions	11,450	9,666
Grants and contributions	1,031	231
Capital reserves / receipts	5,093	1,889
Other funding	3,083	-
<b>Total</b>	<b>24,032</b>	<b>11,786</b>

\*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. £11.3 million was spent in 2012/2013, which represents approximately 48% of the total capital spend by type. The council has an ongoing programme of capital expenditure to make improvements to its housing stock. A breakdown listing of housing additions is shown on page 92.



# Explanatory Foreword to the Statement of Accounts

## 7. 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 £6,315,000 during the year to £49,580,000 (2011/2012 £43,265,000). 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 commenced on 1 April 2013, taking into account the net pension liability disclosed above.

## 8. Current Economic Climate

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

The General Fund services are funded very approximately two thirds from Council Tax raised locally and one third from Government grant and non-domestic rates. Council Tax has been frozen for the 5 years to 2013/2014 and current plans are to freeze this for 2014/2015. Government grant has been reducing as part of the Government's deficit reduction programme. The Council has made savings of £1.3m, £2.0m, £1.1m and £1.8m in the four years up to 2013/2014 and expects to make savings of approximately £1.1million in 2014/2015. This is after taking account of inflation, latest forecasts of grant income and a zero percent Council Tax increase in 2014/2015, and the main discretionary planned increase in spend – an increase in spend on maintenance of General Fund assets.

Looking further forward the medium term prospects are for further Government grant reductions, and current assumptions are for some Council Tax increases, if required, in years after 2014/2015, leading to a further requirement for ongoing savings, though at the moment not at the same overall level as indicated above.

The Housing Revenue Account (HRA) is funded primarily by rents paid by tenants. It does not get any income from local taxation. The main financial issues for the HRA are the requirement to cover a debt allocation it was given as part of the Government introducing a new financing regime for the HRA. There is a future schedule of debt repayments, and all of the debt is at fixed interest rates. The Council produces a 30 year business plan for the HRA taking into account this debt repayment, the amount it spends on running Housing services to tenants, including repairs and investments and the rents it expects to get, the latter based on Government guidance.

# Explanatory Foreword to the Statement of Accounts

The main financial issues for the HRA are:

- Potential changes to the government guidance on rents which may reduce the rate at which rents rise to converge with other parts of the social housing sector.
- Balancing the investment needs against rent levels and a desire to clear the debt early if possible.
- Changes to benefit payments and methods of paying them which seem likely to increase rent arrears and write offs.

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

- The impact of the Government's deficit reduction measures on government grant and welfare payments
- Currently low interest rates and relatively low inflation

The main risks the Council faces that might impact financially on it are largely those around large capital project spending, or income streams that support them, and the cost of planning appeals. The Annual Governance Statement gives some details on how the Council manages risks. The Council, when it sets the budget, reviews the major risks and the level of reserves that could be used to meet any costs. However, for both the General Fund and the HRA, the general balances are not used to fund ongoing costs.

## 9. 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 the back of this document.

# Statement of Responsibilities for the Statement of Accounts

## St Albans City and District Council's responsibilities

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

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

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

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

### Certification of the Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at 31 March 2013 and of its expenditure and income for the year then ended.

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

**Date: 26<sup>th</sup> September, 2013**

## 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.

In accordance with the Accounts and Audit Regulations 2011, I certify that the Statement of Accounts was approved by the Audit Committee on 26<sup>th</sup> September, 2013.

**Councillor R Donald**  
Chair of the Audit Committee

**Date: 26<sup>th</sup> September, 2013**

## Movement in Reserves Statement 2012-2013

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

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2012</b>	<b>4,619</b>	<b>1,343</b>	<b>2,128</b>	<b>-</b>	<b>7,911</b>	<b>-</b>	<b>1,962</b>	<b>17,963</b>	<b>224,710</b>	<b>242,673</b>
<b>Movement in reserves during 2012/13</b>										
Surplus or (deficit) on the provision of services	(3,251)	-	455	-	-	-	-	(2,796)		(2,796)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(1,705)	(1,705)
<b>Total Comprehensive Income and Expenditure</b>	<b>(3,251)</b>	<b>-</b>	<b>455</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,796)</b>	<b>(1,705)</b>	<b>(4,501)</b>
Adjustments between accounting basis & funding basis under regulations (note 7)	3,608	-	406	-	2,401	2,469	(157)	8,727	(8,727)	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>357</b>	<b>-</b>	<b>861</b>	<b>-</b>	<b>2,401</b>	<b>2,469</b>	<b>(157)</b>	<b>5,931</b>	<b>(10,432)</b>	<b>(4,501)</b>
Transfers to/from Earmarked Reserves (note 8)	63	(63)	(231)	231	-	-	-	-	-	-
<b>Increase/Decrease in 2012/13</b>	<b>420</b>	<b>(63)</b>	<b>630</b>	<b>231</b>	<b>2,401</b>	<b>2,469</b>	<b>(157)</b>	<b>5,931</b>	<b>(10,432)</b>	<b>(4,501)</b>
<b>Balance at 31 March 2013 carried forward</b>	<b>5,039</b>	<b>1,280</b>	<b>2,758</b>	<b>231</b>	<b>10,312</b>	<b>2,469</b>	<b>1,805</b>	<b>23,894</b>	<b>214,278</b>	<b>238,172</b>

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

## Movement in Reserves Statement 2011-2012

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2011</b>	<b>3,702</b>	<b>1,605</b>	<b>1,689</b>	<b>8,405</b>	<b>25</b>	<b>2,319</b>	<b>17,745</b>	<b>414,981</b>	<b>432,726</b>
<b>Movement in reserves during 2011/12</b>									
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
<b>Total Comprehensive Income and Expenditure</b>	<b>(5,901)</b>	<b>-</b>	<b>(188,433)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(194,334)</b>	<b>4,281</b>	<b>(190,053)</b>
Adjustments between accounting basis & funding basis under regulations (note 7)	7,010	-	188,872	(1,124)	(25)	(181)	194,552	(194,552)	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>1,109</b>	<b>-</b>	<b>439</b>	<b>(1,124)</b>	<b>(25)</b>	<b>(181)</b>	<b>218</b>	<b>(190,271)</b>	<b>(190,053)</b>
Transfers to/from Earmarked Reserves (note 8)	(192)	(262)	-	630	-	(176)	-	-	-
<b>Increase/Decrease in 2011/2012</b>	<b>917</b>	<b>(262)</b>	<b>439</b>	<b>(494)</b>	<b>(25)</b>	<b>(357)</b>	<b>218</b>	<b>(190,271)</b>	<b>(190,053)</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>4,619</b>	<b>1,343</b>	<b>2,128</b>	<b>7,911</b>	<b>-</b>	<b>1,962</b>	<b>17,963</b>	<b>224,710</b>	<b>242,673</b>

# Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded 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. 2011/2012 £'000	Gross Income 2011/2012 £'000	Net Exp. 2011/2012 £'000		Gross Expenditure 2012/2013 £'000	Gross Income 2012/2013 £'000	Net Expenditure 2012/2013 £'000
			<b>Central Services</b>			
6,614	(6,688)	(74)	Council Tax benefit payments	6,548	(6,682)	(134)
3,031	(1,095)	1,936	Other central services	3,466	(1,224)	2,242
8,087	(1,641)	6,446	<b>Cultural and Related Services</b>	5,756	(1,414)	4,342
8,096	(2,325)	5,771	<b>Environmental and Regulatory Services</b>	8,387	(2,464)	5,923
4,315	(1,610)	2,705	<b>Planning and Development Services</b>	4,022	(1,519)	2,503
2,777	(2,104)	673	<b>Highways and Transport Services (i)</b>	1,091	(1,984)	(893)
			<b>Housing Services</b>			
29,564	(29,622)	(58)	Housing benefit payments	31,583	(31,490)	93
2,013	(638)	1,375	Other housing services (ii)	1,600	(657)	943
38,777	(25,272)	13,505	Local Authority Housing (HRA) (iii)	22,048	(26,588)	(4,540)
175,916	-	175,916	Housing Self Financing charge (iv)	-	-	-
2,993	(928)	2,065	<b>Corporate and Democratic Core</b>	2,935	(1,414)	1,521
475	-	475	<b>Non distributed Costs</b>	60	(175)	(115)
<b>282,658</b>	<b>(71,923)</b>	<b>210,735</b>	<b>Cost of Services</b>	<b>87,496</b>	<b>(75,611)</b>	<b>11,885</b>
		1,859	Other operating expenditure	note 9		3,193
		906	Financing and investment income and expenditure	note 10		6,732
		(19,166)	Taxation and non-specific grant income	note 11		(19,014)
		<b>194,334</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>2,796</b>
		(13,268)	Surplus or deficit on revaluation of property, plant and equipment assets			(3,880)
		8,987	Actuarial (gains)/losses on pension assets/liabilities	note 38		5,585
		<b>(4,281)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>1,705</b>
		<b>190,053</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>4,501</b>

# 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 includes 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 2011/12 relates to the payment to the government of the debt established under Housing Self Financing.

## Balance Sheet as at 31 March 2013

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 2011	31 March 2012			31 March 2013
Restated £'000	£'000		Note	£'000
447,255	454,153	Property Plant and Equipment	12	462,418
5,194	5,194	Heritage Assets	13	5,139
8,053	7,832	Investment property	14	7,554
526	459	Intangible Assets	15	260
1	1	Long term investments	16	1
339	176	Long term debtors	16	164
<b>461,368</b>	<b>467,815</b>	<b>Long Term Assets</b>		<b>475,536</b>
1,004	7,578	Short Term Investments	16	5,120
-	841	Assets Held for Sale	20	648
56	51	Inventories	17	40
6,191	3,665	Short Term Debtors	18	5,246
7,979	6,440	Cash and Cash equivalents	19	4,803
<b>15,230</b>	<b>18,575</b>	<b>Current Assets</b>		<b>15,857</b>
(1,000)	-	Short Term Borrowing	16	(1,000)
(7,377)	(8,765)	Short Term Creditors	21	(11,787)
<b>(8,377)</b>	<b>(8,765)</b>	<b>Current Liabilities</b>		<b>(12,787)</b>
(33,517)	(43,265)	Pension Liability	38	(49,580)
(1,500)	(191,076)	Long term borrowing	16	(190,076)
(175)	(26)	Other Long term Liabilities and Provisions		(68)
(303)	(586)	Capital Grants Receipts in Advance	34	(710)
<b>(35,495)</b>	<b>(234,953)</b>	<b>Long Term Liabilities</b>		<b>(240,434)</b>
<b>432,726</b>	<b>242,672</b>	<b>Net Assets</b>		<b>238,172</b>
17,744	17,963	Usable Reserves	22	23,894
414,982	224,709	Unusable Reserves	23	214,278
<b>432,726</b>	<b>242,672</b>	<b>Total reserves</b>		<b>238,172</b>

## 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.

2011/2012 £'000		Notes	2012/2013 £'000
(194,334)	<b>Net surplus or (deficit) on the provision of services</b>		<b>(2,796)</b>
173,356	Adjustment to net surplus or deficit on the provision of services for non-cash movements	24	22,603
(152,436)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	25	(4,745)
<b>(173,414)</b>	<b>Net cash flows from Operating Activities</b>		<b>15,062</b>
(21,844)	Investing Activities	26	(15,796)
193,719	Financing Activities	27	(903)
<b>(1,539)</b>	<b>Net increase or decrease in cash and cash equivalents</b>		<b>(1,637)</b>
7,979	Cash and cash equivalents at the beginning of the reporting period		6,440
<b>6,440</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>4,803</b>

# Notes to the Accounts

## 1. Accounting Policies

### 1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2012-13 financial year and its position at the year-end 31 March 2013. 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 2012-13 and the Service Reporting Code of Practice 2012/2013, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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 is receivable on investments and payable on borrowings and is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been 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

## 1.10 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 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.

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.

#### 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.

# Notes to the Accounts

## 1.11d *Civic Regalia and Chains of Office*

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

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

## 1.11e *Ancient Walls and Ruins*

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

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

## 1.12 **Intangible Assets**

Expenditure on non monetary assets that do not have physical substance but are controlled by the Council as 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.

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.

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.

# Notes to the Accounts

## 1.13 Inventories

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

## 1.14 Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are 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 and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to Investment Properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## 1.15 Jointly Controlled Operations and Jointly Controlled Assets

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

# Notes to the Accounts

## 1.16 Leases

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

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

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

### 1.16a The Council as Lessee

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

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).

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.

# Notes to the Accounts

## 1.16a *Operating Leases* cont.

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).

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

# Notes to the Accounts

## 1.16b *Operating Leases*

cont.

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 (SeRCop). 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 SeRCop and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Cost of Services.

## 1.18 **Property, Plant and Equipment**

Assets that have physical substance and are held for use in 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.

# Notes to the Accounts

## 1.18b Measurement

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

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying value is not materially different from their 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. 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.

# Notes to the Accounts

## 1.18c Impairment

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against 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.

## 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.

# Notes to the Accounts

## 1.18e Disposals and Non-current Assets Held for Sale

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

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

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 are 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.

# Notes to the Accounts

## 1.19 Provisions

Provisions are made where an event has taken place that gives the Council a 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.

## 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. Earmarked 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 Earmarked Reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for 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.

# Notes to the Accounts

## 1.22 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance 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

The Code of Practice on Local Authority Accounting in the United Kingdom 2012/2013 (the Code) has introduced several changes in the accounting policies which will be required from 1 April 2013. The changes are not considered to have a significant impact on the Statement of Accounts as demonstrated below:

- IAS 1 Presentation of Financial Statements – the changes require authorities to disclose separately the gains or losses reclassifiable into the Surplus or Deficit on the Provision of Services. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.
- IAS 12 Income taxes – This change in the accounting policy particularly affects investment properties. It is not considered that this change will affect the Statement of Accounts
- IFRS 7 Financial Instruments: Disclosures – The change in accounting policy is in relation to the offsetting of financial assets and liabilities. Within the cash and cash equivalents line on the balance sheet there is a bank overdraft, note 21 provides a breakdown of this item.
- There have been several significant changes in relation IAS 19 Employee Benefits. IAS19 is changing for accounting years starting on or after 1 January 2013 and this will affect the budgeted pension expense for the next financial year. The key change affecting LGPS employers relates to the expected return on assets. Advance credit for anticipated outperformance of return seeking assets (such as equities) will no longer be permitted. The expected return on assets is currently credited to profit and loss, however from 2013 this is effectively replaced with an equivalent figure calculated using the discount rate (as opposed to that calculated using the Expected Return on Assets assumption). The changes will be adopted retrospectively for the prior year, in accordance with IAS8. The effect of the change to IAS19 on the income statement to 31 March 2013 will be an increase charge of £444,000.

## 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.

# Notes to the Accounts

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

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

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

### Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The Council has a programme of capital work of £9.5 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.

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 £127,000

### 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 2012/2013, the Council's actuaries advised that the net pensions liability had increased to £49.6 million.

# Notes to the Accounts

## 4 Arrears

cont.

At 31 March 2013, The Council had a balance of sundry debtors. A review of significant balances suggested that a doubtful debt impairment of 21.8% (£282,818) 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 an increase in the impairment of doubtful debts would be required. A doubling of the amount of the impairment of doubtful debts, up to a maximum of 100%, would require an additional £107,104 to be set aside as an allowance.

## 5. Material items of income and expense

### 5.1 Pension Fund Actuarial Loss

The Pension Fund Actuary has reported an actuarial loss for 2012/2013 of £5.6 million, contributing to the pension fund deficit of £49.6 million. This is reported as a loss on the Comprehensive Income & Expenditure Statement, and subsequently adjusted (in accordance with proper practice) via the Movement in Reserves Statement to ensure it has no General Fund Balance implications.

## 6. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Deputy Chief Executive (Finance) on 30<sup>th</sup> June 2013. 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 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. No events leading to adjustments have occurred as of 26 June 2013.

On 1 April 2013, Local Authorities will assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This will include amounts that were paid over (to Central Government) in respect of 2012/2013 and prior years. Previously, such amounts would not have been recognised as income by the authorities, but would have been transferred to the Department for Communities and Local Government.

When authorities assume these liabilities on 1st April 2013, a provision will need to be recognised. Should all appeals outstanding at 31st March 2013 be successful it is estimated that Council's share is £165,000.

# Notes to the Accounts

## 7. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

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

### **General Fund Balance**

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

### **Housing Revenue Account Balance**

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund 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.

### **Major Repairs Reserve**

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

### **Capital Grants Unapplied**

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

# Notes to the Accounts

Adjustments between accounting basis and funding basis under regulations	Usable reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts reserve	Major Repairs Reserve	Capital Grants Unapplied	
2012/2013	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments involving the Capital Adjustment Account (CAA):</b>						
<b>Reversal of items debited or credited to the Comprehensive income and Expenditure Statement (CI&amp;ES)</b>						
Charges for depreciation and impairment of non-current assets	(1,116)	(13,167)	-	-	-	14,283
Amortisation of intangible assets	(272)	(5)	-	-	-	277
Movements in the market value of Investment Properties	(263)	-	-	-	-	263
Capital grants and contributions applied	639	182	-	-	-	(821)
Revenue Expenditure Funded from Capital under Statute	(329)	(346)	-	-	-	675
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(2,075)	(1,933)	-	-	-	4,008
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Provision for the repayment of debt	-	1,115	-	-	-	(1,115)
Statutory provision for the financing of capital investment	223	-	-	-	-	(223)
Capital Expenditure charged against the General Fund and HRA balances	30	-	-	-	-	(30)
<b>Adjustments involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the CI&ES	305	-	-	-	(305)	-
Application of grants to capital financing transferred to the CAA	-	-	-	-	439	(439)
Capital grants unapplied reclassified and transferred to the General Fund Balance	(23)	-	-	-	23	-
<b>Adjustments involving the Capital Receipts reserve</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	157	3,210	(3,367)	-	-	-
Other Capital Receipts taken to the CI&ES	194	241	(435)	-	-	-
Use of the Capital receipts Reserve to finance new expenditure	-	-	673	-	-	(673)
Contribution from the Capital Receipts Reserve towards the administrative costs of non-current asset disposals	(24)	(30)	54	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(688)	-	688	-	-	-
Transfer from the Deferred Capital receipts reserve upon receipt of cash	-	-	(14)	-	-	14
<b>Adjustments involving the Major Repairs Reserve</b>						
Reversal of the MRR credited to the HRA	-	10,475	-	(10,475)	-	-
Use of the MRR to finance new capital expenditure	-	-	-	8,006	-	(8,006)
<b>Adjustments involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited or credited to the CI&ES (see note 38)	(2,899)	(538)	-	-	-	3,437
Employer's pensions contributions and direct payments to pensioners payable in the year	2,317	390	-	-	-	(2,707)
<b>Adjustments involving the Employment Reserve</b>						
Adjustment between comprehensive income and expenditure account and employment reserve	175	-	-	-	-	(175)
<b>Adjustments involving the Collection Fund Adjustment Account</b>						
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	41	-	-	-	-	(41)
<b>Total Adjustments</b>	<b>(3,608)</b>	<b>(406)</b>	<b>(2,401)</b>	<b>(2,469)</b>	<b>157</b>	<b>8,727</b>

# Notes to the Accounts

Adjustments between accounting basis and funding basis under regulations	Usable reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts reserve	Major Repairs Reserve	Capital Grants Unapplied	
2011/2012	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments involving the Capital Adjustment Account (CAA):</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CI&amp;ES)</b>						
Charges for depreciation and impairment of non-current assets	(5,022)	(7,872)	-	(10,390)	-	23,284
Housing Self Financing	-	(175,916)	-	-	-	175,916
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
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Statutory provision for the financing of capital investment	115	-	-	-	-	(115)
<b>Adjustments involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the CI&ES	120	-	-	-	(120)	-
Application of grants to capital financing transferred to the CAA	-	-	-	-	305	(305)
<b>Adjustments involving the Capital Receipts reserve</b>						
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
<b>Adjustments involving the Major Repairs Reserve</b>						
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)
<b>Adjustments involving the Financial Instruments Adjustment</b>						
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)
<b>Adjustments involving the Pensions Reserve</b>						
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)
<b>Adjustments involving the Employment Reserve</b>						
Adjustment between comprehensive income and expenditure account and employment reserve	168	-	-	-	-	(168)
<b>Adjustments involving the Collection Fund Adjustment Account</b>						
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)
<b>Total Adjustments</b>	<b>(7,009)</b>	<b>(188,871)</b>	<b>1,124</b>	<b>25</b>	<b>181</b>	<b>194,550</b>

## Notes to the Accounts

### 8. Transfers To/From Earmarked Reserves

This note sets out the amounts set aside from the General Fund and Housing Revenue Account balances to earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and Housing Revenue Account expenditure in 2012/2013.

	Balance at 1 April 2011	Transfers from 2011/2012	Transfers to 2011/2012	Balance at 31 March 2012	Transfers from 2012/2013	Transfers to 2012/2013	Balance at 31 March 2013
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>General Fund</b>							
Leisure Services Dept	289	(134)	160	315	(177)	-	138
Community Crime	10	(50)	50	10	(10)	-	-
Museums Reserves	36	(9)	7	34	(6)	-	28
Amenity Area Mtce Fund	189	-	-	189	-	-	189
S52 Town & Country Planning Act	140	-	-	140	-	-	140
LABGI	233	(49)	1	185	(30)	2	157
Prevent Violent Extremism grant	152	(128)	-	24	(3)	-	21
Westminster Lodge capital reserve	256	(630)	374	-	-	-	-
Building maintenance	-	-	-	-	-	200	200
Other Reserves	300	(300)	446	446	(333)	294	407
	<b>1,605</b>	<b>(1,300)</b>	<b>1,038</b>	<b>1,343</b>	<b>(559)</b>	<b>496</b>	<b>1,280</b>
<b>HRA</b>							
Capital expenditure reserve	-	-	-	-	-	231	231
<b>Total</b>	<b>1,605</b>	<b>(1,300)</b>	<b>1,038</b>	<b>1,343</b>	<b>(559)</b>	<b>727</b>	<b>1,511</b>

## Notes to the Accounts

### 9. Other Operating Expenditure

2011/2012 £'000		2012/2013 £'000
2,222	Parish Council Precepts	2,297
831	Payments to the Government Housing Capital Receipts Pool	689
(894)	Gains/losses on the disposal of non-current assets	642
(300)	Other Capital receipts and income	(435)
<b>1,859</b>		<b>3,193</b>

### 10. Financing and Investment Income and Expenditure

2011/2012 £'000		2012/2013 £'000
209	Interest payable and similar charges	5,236
1,010	Pension Interest Costs and expected return on pension assets	1,612
(272)	Interest receivable and similar income	(244)
221	Changes in fair value of investment properties	278
(262)	Surplus/deficit from trading operations not included in Net Cost of Services	(150)
<b>906</b>		<b>6,732</b>

### 11. Taxation and Non-Specific Grant Income

2011/2012 £'000		2012/2013 £'000
(12,576)	Council Tax Income	(12,692)
(184)	Transfer from the Collection Fund	(201)
(4,373)	Non-Domestic Rates	(5,079)
(1,352)	Non - ringfenced government grants	(98)
(681)	Capital grants and contributions	(944)
<b>(19,166)</b>	<b>Total</b>	<b>(19,014)</b>

# 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. The opening balances on Council Dwellings reflect the £7,077,000 impairment in 2011/2012.

<b>PPE Movements 2012/2013</b>	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £'000</b>	<b>Infra-structure £'000</b>	<b>Community Assets £'000</b>	<b>Asset Under Const-ruktion £'000</b>	<b>Total Property, Plant and Equipment £'000</b>
<b>Cost or Valuation</b>							
At 1 April 2012	384,292	65,923	6,413	3,920	17	12,040	472,605
Additions	9,529	6,244	1,455	14	-	5,408	22,650
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,493	166	-	-	-	-	1,659
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,531	787	-	-	-	-	2,318
Derecognition - disposals	(1,116)	(2,081)	(526)	-	-	-	(3,723)
Assets reclassified (to)/from	(17,125)	28,933	2,230	(2,175)	(17)	(11,896)	(50)
Assets reclassified (to)/from assets held for sale	(657)	-	-	-	-	-	(657)
<b>At 31 March 2013</b>	<b>377,947</b>	<b>99,972</b>	<b>9,572</b>	<b>1,759</b>	<b>-</b>	<b>5,552</b>	<b>494,802</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2012	(10,312)	(2,760)	(3,871)	(1,504)	(5)	-	(18,452)
Depreciation charge	(9,797)	(2,008)	(755)	(108)	-	-	(12,668)
Depreciation written out to the Revaluation Reserve	1,619	1,217	-	-	-	-	2,836
Depreciation written out to the Surplus/Deficit on the Provision of Services	8,160	270	-	-	-	-	8,430
Derecognition - disposals	22	89	445	-	-	-	556
Assets reclassified (to)/from	527	(511)	(800)	805	5	-	26
Assets reclassified (to)/from assets held for sale	9	-	-	-	-	-	9
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	(12,525)	(34)	-	-	-	-	(12,559)
Impairment losses/(reversals) recognised in the Revaluation Reserve	(558)	(4)	-	-	-	-	(562)
<b>At 31 March 2013</b>	<b>(22,855)</b>	<b>(3,741)</b>	<b>(4,981)</b>	<b>(807)</b>	<b>-</b>	<b>-</b>	<b>(32,384)</b>
<b>Net Book Value</b>							
<b>At 31 March 2013</b>	<b>355,092</b>	<b>96,231</b>	<b>4,591</b>	<b>952</b>	<b>-</b>	<b>5,552</b>	<b>462,418</b>
<b>At 31 March 2012</b>	<b>373,980</b>	<b>63,163</b>	<b>2,542</b>	<b>2,416</b>	<b>12</b>	<b>12,040</b>	<b>454,153</b>

# Notes to the Accounts

## 12 cont.

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 Construction £'000	Total Property, Plant and Equipment £'000
<b>Cost or Valuation</b>							
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)
Revaluation Gains	(808)	(32)	-	-	-	-	(840)
Revaluation losses	(739)	190	-	-	-	-	(549)
<b>At 31 March 2012</b>	<b>391,369</b>	<b>65,923</b>	<b>6,413</b>	<b>3,920</b>	<b>17</b>	<b>12,040</b>	<b>479,682</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2010	(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
<b>At 31 March 2012</b>	<b>(17,389)</b>	<b>(2,760)</b>	<b>(3,871)</b>	<b>(1,504)</b>	<b>(5)</b>	<b>-</b>	<b>(25,529)</b>

## 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 on the basis of their components, 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 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.

As at 31<sup>st</sup> March 2013, the Council has entered into a number of contracts for the construction and enhancement of Property, Plant and Equipment in 2013/2014 at a cost of £2.3 million. Similar commitments at 31<sup>st</sup> March 2012 were £14.6 million which included £12.7 million for Westminster Lodge.

### 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 is 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.

The Code prescribes that the classes of Property, Plant and Equipment shown in the following table are revalued at least once every five years. The table shows the carrying value of each class of asset in the accounts by year of valuation. In accordance with the Council's policy, depreciated historic cost is used as a proxy for fair value for Vehicles and Plant on the grounds of materiality.

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	-	-	4,591	-	4,591
Valued at fair value as at:					
1st April 2008	-	3,019	-	-	3,019
1st April 2009	-	33,098	-	-	33,098
1st April 2010	-	3,134	-	-	3,134
1st April 2011	-	17,960	-	-	17,960
1st April 2012	355,092	39,020	-	7,554	401,666
<b>Total</b>	<b>355,092</b>	<b>96,231</b>	<b>4,591</b>	<b>7,554</b>	<b>463,468</b>

### 13. Heritage Assets

30 March 2011 £'000	31 March 2012 £'000	Heritage Assets	31 March 2013 £'000
		<b>Cost of Acquisitions of Heritage Assets</b>	
3,860	3,860	Exhibits	3,965
657	657	Silver	324
43	43	Civic Regalia	43
600	600	Cups and Trophies	510
34	34	Sculptures	34
-	-	War Memorials	263
<b>5,194</b>	<b>5,194</b>	<b>Total cost of Acquisitions</b>	<b>5,139</b>
<b>5,194</b>	<b>5,194</b>	<b>Carrying Value</b>	<b>5,139</b>

The Council's Heritage Assets are reported in the Balance Sheet at insurance valuation, which are updated annually. A review of Heritage Assets revealed War Memorials not previously disclosed.

## Notes to the Accounts

### 14. Investment Properties

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

2011/2012 £'000		2012/2013 £'000
(609)	Rental income from investment property	(560)
231	Direct operating expenses arising from investment property	55
<b>(378)</b>	<b>Net (gain)/loss</b>	<b>(505)</b>

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

2011/2012 £'000		2012/13 £'000
<b>8,053</b>	<b>Balance at start of year:</b>	<b>7,832</b>
40	Revaluation	126
(261)	Impairment	(404)
<b>(221)</b>	<b>Net loss from fair value adjustments</b>	<b>(278)</b>
<b>7,832</b>	<b>Balance at end of the year</b>	<b>7,554</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to 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

Intangible Assets consist mainly of software licences and computer software programmes. The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £276,483 charged to revenue in 2012/2013 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:

2011/2012 £'000		2012/2013 £'000
	<b>Balance at start of year:</b>	
1,730	Gross carrying amount	1,875
(1,204)	Accumulated amortisation	(1,416)
<b>526</b>	<b>Net carrying amount at start of year</b>	<b>459</b>
145	Purchases	53
-	Assets reclassified gross carrying amount	50
-	Assets reclassified accumulated amortisation	(26)
(212)	Amortisation for the period	(276)
<b>459</b>	<b>Net carrying amount at end of year</b>	<b>260</b>
	<b>Comprising:</b>	
1,875	Gross carrying amount	1,978
(1,416)	Accumulated amortisation	(1,718)
<b>459</b>		<b>260</b>

# 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
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
<b>Investments</b>				
Loans and receivables	1	1	5,120	7,578
Cash and Cash Equivalents	-	-	4,803	6,440
<b>Total investments</b>	<b>1</b>	<b>1</b>	<b>9,923</b>	<b>14,018</b>
<b>Debtors</b>				
Financial assets carried at contract amounts	164	176	3,251	1,504
<b>Total debtors</b>	<b>164</b>	<b>176</b>	<b>3,251</b>	<b>1,504</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(190,076)	(191,076)	(1,000)	-
<b>Total borrowings</b>	<b>(190,076)</b>	<b>(191,076)</b>	<b>(1,000)</b>	<b>-</b>
<b>Creditors</b>				
Financial liabilities carried at contract amounts	(710)	-	(5,600)	(5,111)
<b>Total creditors</b>	<b>(710)</b>	<b>-</b>	<b>(5,600)</b>	<b>(5,111)</b>

# Notes to the Accounts

## 16 Analysis of Long term Debtors cont.

At 31 March 2012 £'000		At 31 March 2013 £'000
19	Advances to external borrowers - General Fund	18
20	Mortgages - Housing Revenue Account	18
137	Economic Development Loan	128
<b>176</b>	<b>Total</b>	<b>164</b>

### Soft Loans

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 £13,708 (2011/2012 £12,912) which is considered immaterial to the accounts and therefore adjustments have not been made to the carrying values. £1,501 (2011/2012 £7,538) relating to car purchase loans is disclosed under long term debtors and the balance of £12,207 (2011/2012 £5,374) is disclosed under short term debtors.

# Notes to the Accounts

## 16 Income, Expense, Gains and Losses cont.

Financial Liabilities: measured at amortised cost				Financial Liabilities: measured at amortised cost		
£'000	Financial Assets: loans and receivables	2011/2012 Total		£'000	Financial Assets: loans and receivables	2012/2013 Total
£'000	£'000	£'000		£'000	£'000	£'000
144	-	144	Interest expense	5,237	-	5,237
144	-	144	<b>Total expense in Surplus or Deficit on the Provision of Services</b>	5,237	-	5,237
-	(272)	(272)	Interest income	-	(244)	(244)
-	(272)	(272)	<b>Total income in Surplus or Deficit on the Provision of Services</b>	-	(244)	(244)
144	(272)	(128)	<b>Net (gain)/loss for the year</b>	5,237	(244)	4,993

### 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 2013 of 0.93% to 3.76% for loans from the Public Works Loan Board (PWLB) and 0.3775% 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 2012			31 March 2013	
Carrying amount	Fair Value		Carrying amount	Fair Value
£'000	£'000		£'000	£'000
4,937	4,937	Cash	4,800	4,800
9,078	9,078	Fixed term deposits	5,120	5,143

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 2012			31 March 2013	
Carrying amount	Fair Value		Carrying amount	Fair Value
£'000	£'000		£'000	£'000
191,076	175,899	Public Works Loan Board loans	191,076	188,527

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 2013) 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	
	2012	2013	2012	2013	2012	2013
	£000	£000	£000	£000	£000	£000
Balance at start of year:	3	10	53	41	56	51
Net charge/(credit) to service accounts	7	(4)	(12)	(7)	(5)	(11)
<b>Balance at Year end:</b>	<b>10</b>	<b>6</b>	<b>41</b>	<b>34</b>	<b>51</b>	<b>40</b>

### 18. Debtors

At 31 March		At 31 March	
2012		2013	2013
£'000		£'000	£'000
935	Central Government Bodies		1,954
46	Other Local Authorities		260
	Other entities and Individuals		
781	Housing Rents	914	
(249)	Less Impairment Allowance	(276)	
<b>532</b>	<b>Housing Rents - net</b>		<b>638</b>
866	Council Tax and Business Rates	950	
(414)	Less Impairment Allowance	(457)	
<b>452</b>	<b>Council Tax and Business Rates - net</b>		<b>493</b>
1,912	Other	2,184	
(212)	Less Impairment Allowance	(283)	
<b>1,700</b>			<b>1,901</b>
<b>3,665</b>	<b>Total</b>		<b>5,246</b>

## 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 2012 £'000		At 31 March 2013 £'000
3	Cash held by the Council	3
434	Bank Current Accounts	(234)
6,003	Short-term deposits	5,034
<b>6,440</b>	<b>Total Cash and Cash equivalents</b>	<b>4,803</b>

### 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	
	2012/2013 £'000	2011/2012 £'000	2012/2013 £'000	2011/2012 £'000
<b>Balance at start of year</b>	-	-	841	-
Assets sold in year	-	-	(841)	-
Assets newly classified as held for sale	-	-	-	-
- Property, Plant & Equipment	-	-	648	841
<b>Balance at Year End</b>	-	-	<b>648</b>	<b>841</b>

## Notes to the Accounts

### 21. Creditors

At 31 March 2012 £'000		At 31 March 2013 £'000
1,871	Central government bodies	4,660
745	Other local authorities	831
5,521	Other entities and individuals	5,612
628	Receipts in advance	684
<b>8,765</b>	<b>Total</b>	<b>11,787</b>

The majority of amounts owing to other entities and individuals is made up of amounts owing for goods and services relating to 2012/2013 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 2010/11 £'000	2011/12 £'000		2012/2013 £'000
77,591	89,428	Revaluation Reserve	91,720
370,938	178,372	Capital Adjustment Account	171,762
(15)	-	Financial Instruments Adjustment Account	-
203	181	Deferred Capital Receipts Reserve	167
(33,517)	(43,265)	Pensions Reserve (note 38)	(49,581)
124	168	Collection Fund Adjustment Account	209
(342)	(175)	Employment reserve	-
<b>414,982</b>	<b>224,709</b>	<b>Total Unusable Reserves</b>	<b>214,277</b>

# 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.

2010/2011	2011/2012		2012/2013
£'000	£'000		£'000
37,919	77,591	<b>Balance at 1 April</b>	<b>89,428</b>
55,982	21,196	Upward revaluation of assets	5,948
(48,461)	(7,925)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,068)
7,521	13,271	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or deficit on the Provision of Services</b>	<b>3,880</b>
(3,370)	(1,434)	Difference between fair value depreciation and historical cost depreciation	(479)
(406)	-	Accumulated gains on assets sold or scrapped	(1,109)
(3,776)	(1,434)	<b>Amount written off to the Capital Adjustment Account</b>	<b>(1,588)</b>
77,591	89,428	<b>Balance at 31 March</b>	<b>91,720</b>

# 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.

2011/2012 £'000	Capital Adjustment Account	2012/13 £'000
370,938	<b>Balance as At 1 April 2012</b>	178,372
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>	
(20,749)	Charges for depreciation and impairment of non current assets	(25,208)
(2,538)	Revaluation losses on Property, Plant and Equipment	10,924
(212)	Amortisation of Intangibles	(276)
(847)	Revenue expenditure funded from capital under statute	(676)
(175,916)	Housing Self Financing payment	-
1,432	Excess Depreciation	479
(548)	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	(4,009)
<b>(199,378)</b>	<b>Sub-total charges</b>	<b>(18,766)</b>
-	- Adjusting amounts written out of the Revaluation Reserve	1,109
<b>(199,378)</b>	<b>Net written out amount of the cost of non -current asset consumed in the year</b>	<b>(17,657)</b>
	<i>Capital Financing applied in the year:</i>	
1,424	Use of the Capital Receipts Reserve to finance new capital expenditure	673
3,962	Use of Major Repairs Reserve to finance new capital expenditure	8,006
630	Transfer from Earmarked Reserves	-
596	Capital Grants and contributions credited to the Comprehensive Income and Expenditure Financing that have been applied to capital financing	822
305	Application of Grants to capital Financing from the capital Grants Unapplied Account	439
-	- Direct Revenue Financing	31
-	- HSF Repayment Provision	1,115
116	Statutory provision for the financing of capital investment charged against the General Fund	224
<b>7,033</b>	<b>Sub-total capital financing</b>	<b>11,310</b>
(221)	Movements in the market value of Investment Properties debited or credited to the comprehensive Income and Expenditure Statement	(263)
<b>178,372</b>	<b>Balance at 31 March 2013</b>	<b>171,762</b>

# Notes to the Accounts

## 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.

2011/2012 £'000	Pensions Reserve	2012/2013 £'000
33,517	<b>Balance at 1 April</b>	43,265
8,987	Actuarial gains and losses on pension assets and liabilities	5,585
3,284	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	3,437
(2,523)	Employer's pensions contributions and direct payments to pensioners payable in the year	(2,707)
43,265	<b>Balance at 31 March</b>	49,580

## 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.

2011/2012 £'000	Deferred Capital Receipts Reserve	2012/2013 £'000
203	<b>Balance at 1 April</b>	181
	Capital Repaid	
(6)	Mortgages	(5)
(16)	Loan	(9)
181	<b>Balance at 31 March</b>	167

## 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.

2011/2012 £'000	Collection Fund Adjustment Account	2012/2013 £'000
124	<b>Balance at 1 April</b>	168
44	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	41
168	<b>Balance at 31 March</b>	209

### 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.

2011/2012 £'000	Employment Reserve	2012/2013 £'000
342	<b>Balance at 1 April</b>	175
(167)	Pension Strain written off on payment	(175)
175	<b>Balance at 31 March</b>	-

## 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:

2011/2012 £'000		2012/2013 £'000
	<b>Non Cash Transactions</b>	
23,287	Depreciation and impairments	14,479
212	Amortisations	276
221	Write down of Investment Properties	278
612	Pension fund adjustments	730
548	Carrying amount of non-current assets sold	4,009
5	(Increase)/decrease in stock	11
(618)	(Increase)/decrease in debtors	89
-	(Decrease)/increase in provisions	68
(861)	(Decrease)/increase in creditors	2,663
<b>23,406</b>	<b>Total non-cash movements</b>	<b>22,603</b>

### 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:

2011/2012 £'000		2012/2013 £'000
(1,742)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,801)
(744)	Capital grants credited to the surplus or deficit on the provision of services	(944)
<b>(2,486)</b>	<b>Net adjustment</b>	<b>(4,745)</b>

## Notes to the Accounts

### 26. Cash Flow Statement – Investing Activities

2011/2012 £'000		2012/2013 £'000
(18,070)	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(23,180)
(156,517)	Purchase of short-term and long-term investments	(149,250)
1,464	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	3,381
149,950	Proceeds from short-term and long term investments	151,750
1,027	Capital grants received	1,072
-	Capital grants repaid	(4)
302	Other capital cash income	435
<b>(21,844)</b>	<b>Net cash flows from investing activities</b>	<b>(15,796)</b>

### 27. Cash Flow Statement – Financing Activities

2011/2012 £'000		2012/2013 £'000
189,576	Cash receipts of Short- and Long-Term Borrowing	-
(1,000)	Repayment of Short-Term and Long-Term Borrowing	-
5,143	Council Tax and NNDR adjustments	(903)
<b>193,719</b>	<b>Total cash flow from financing activities</b>	<b>(903)</b>

# 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 Service reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across services organised according to the management structure. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's 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 income and expenditure of the Council's principal services recorded in the budget reports for the year is as follows:

<b>Income and Expenditure 2012-13</b>							
	<b>Community Services £'000</b>	<b>Planning and Building Control £'000</b>	<b>Housing Services £'000</b>	<b>Legal, Democratic and Regulatory Services £'000</b>	<b>Finance and Internal Audit £'000</b>	<b>HR, Customer Services and IT £'000</b>	<b>Total £'000</b>
Fees, charges & other service income	(4,448)	(1,418)	(26,887)	(3,999)	(333)	(41)	<b>(37,126)</b>
Government grants	(78)	(4)	(38,983)	-	(1,313)	-	<b>(40,378)</b>
<b>Total Income</b>	<b>(4,526)</b>	<b>(1,422)</b>	<b>(65,870)</b>	<b>(3,999)</b>	<b>(1,646)</b>	<b>(41)</b>	<b>(77,504)</b>
Employee expenses	2,320	2,061	3,283	2,357	1,527	1,128	<b>12,676</b>
Other operating expenses	10,978	580	44,293	2,669	515	1,459	<b>60,494</b>
<b>Total Expenditure</b>	<b>13,298</b>	<b>2,641</b>	<b>47,576</b>	<b>5,026</b>	<b>2,042</b>	<b>2,587</b>	<b>73,170</b>
<b>Net Expenditure</b>	<b>8,772</b>	<b>1,219</b>	<b>(18,294)</b>	<b>1,027</b>	<b>396</b>	<b>2,546</b>	<b>(4,334)</b>

## Notes to the Accounts

### 28. cont.

The figures for 2011/2012 have been restated to reflect a change in classification of some income streams (mainly recycling credits) from grants to fees, charges and other service income. The amount re-classified was £1,592,000.

<b>Income and Expenditure 2011-12 Restated</b>	<b>Community Services £'000</b>	<b>Planning and Building Control £'000</b>	<b>Housing Services £'000</b>	<b>Legal, Democratic and Regulatory Services £'000</b>	<b>Finance and Internal Audit £'000</b>	<b>HR, Customer Services and IT £'000</b>	<b>Total £'000</b>
Fees, charges & other service income	(4,968)	(1,505)	(25,392)	(3,804)	(269)	(29)	<b>(35,967)</b>
Government grants	(108)	(96)	(37,022)	-	(930)	-	<b>(38,156)</b>
<b>Total Income</b>	<b>(5,076)</b>	<b>(1,601)</b>	<b>(62,414)</b>	<b>(3,804)</b>	<b>(1,199)</b>	<b>(29)</b>	<b>(74,123)</b>
Employee expenses	2,577	2,024	3,575	2,368	1,650	1,211	<b>13,405</b>
Other operating expenses	10,991	996	53,875	2,783	585	1,459	<b>70,689</b>
<b>Total Expenditure</b>	<b>13,568</b>	<b>3,020</b>	<b>57,450</b>	<b>5,151</b>	<b>2,235</b>	<b>2,670</b>	<b>84,094</b>
<b>Net Expenditure</b>	<b>8,492</b>	<b>1,419</b>	<b>(4,964)</b>	<b>1,347</b>	<b>1,036</b>	<b>2,641</b>	<b>9,971</b>

### 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.

<b>2011-2012 Restated £000's</b>	<b>2012-2013 £000's</b>	
9,971	Net expenditure in the Service analysis	(4,334)
1,851	Net expenditure of services and support services not included in the analysis	1,864
198,651	Amounts in the Comprehensive Income & Expenditure Statement not reported to Management in the analysis	14,205
262	Amounts included in the analysis not included in the Comprehensive Income & Expenditure Statement	150
<b>210,735</b>	<b>Cost of Services in Comprehensive Income &amp; Expenditure Statement</b>	<b>11,885</b>

## 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.

2012-2013								
	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	(37,126)	(141)	-	2,312	(34,955)	(2,312)	(37,267)	
Service charges	-	-	(9,837)	-	(9,837)	-	(9,837)	
Interest and investment income	-	-	-	-	-	(244)	(244)	10
Income from council tax	-	-	-	-	-	(12,893)	(12,893)	11
Government grants and contributions	(40,378)	(23)	-	-	(40,401)	(6,556)	(46,957)	33
<b>Total Income</b>	<b>(77,504)</b>	<b>(164)</b>	<b>(9,837)</b>	<b>2,312</b>	<b>(85,193)</b>	<b>(22,005)</b>	<b>(107,198)</b>	
Employee expenses	12,676	1,030	-	(388)	13,318	388	13,706	
Other service expenses	60,494	998	-	(1,399)	60,093	1,399	61,492	
Support Service recharges	-	-	9,402	(340)	9,062	340	9,402	
Depreciation, amortisation and impairment	-	-	14,755	(35)	14,720	313	15,033	
Interest Payments	-	-	-	-	-	5,236	5,236	10
Pension adjustment	-	-	-	-	-	1,612	1,612	10
Precepts & Levies	-	-	-	-	-	2,297	2,297	9
Payments to Housing Capital	-	-	-	-	-	689	689	7
Receipts Pool	-	-	-	-	-	642	642	9
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	642	642	9
Non-Distributed Costs	-	-	(115)	-	(115)	-	(115)	
<b>Total operating expenses</b>	<b>73,170</b>	<b>2,028</b>	<b>24,042</b>	<b>(2,162)</b>	<b>97,078</b>	<b>12,916</b>	<b>109,994</b>	
<b>Surplus or deficit on the provision of services</b>	<b>(4,334)</b>	<b>1,864</b>	<b>14,205</b>	<b>150</b>	<b>11,885</b>	<b>(9,089)</b>	<b>2,796</b>	

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

2011-2012	Restated							
	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	(35,967)	(178)	-	2,632	(33,513)	(2,632)	(36,145)	
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	(38,156)	(60)	-	-	(38,216)	(6,706)	(44,922)	33
<b>Total Income</b>	<b>(74,123)</b>	<b>(238)</b>	<b>(10,070)</b>	<b>2,632</b>	<b>(81,799)</b>	<b>(22,370)</b>	<b>(104,169)</b>	
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	
<b>Total operating expenses</b>	<b>84,094</b>	<b>2,089</b>	<b>208,721</b>	<b>(2,370)</b>	<b>292,534</b>	<b>5,968</b>	<b>298,502</b>	
<b>Surplus or deficit on the provision of services</b>	<b>9,971</b>	<b>1,851</b>	<b>198,651</b>	<b>262</b>	<b>210,735</b>	<b>(16,402)</b>	<b>194,333</b>	

# 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.

2011/2012 £'000	Trading Operations		2012/2013 £'000
(674)	<b>Markets</b>	Turnover	(615)
551		Expenditure	520
(123)		<b>Surplus</b>	<b>(95)</b>
(662)	<b>Commercial Premises</b>	Turnover	(521)
489		Expenditure	281
(173)		<b>Surplus</b>	<b>(240)</b>
(1,294)	<b>Parking Enforcement</b>	Turnover	(1,176)
1,328		Expenditure	1,361
34		<b>Deficit</b>	<b>185</b>
<b>(262)</b>	<b>Net Surplus on Trading Operations</b>		<b>(150)</b>

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement in 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.

2011/2012 £000	Members' Allowances	2012/2013 £000
414	Allowances	420
1	Expenses	-
<b>415</b>	<b>Total</b>	<b>420</b>

# 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
<b>Chief Executive and Head of Policy and Partnerships</b>	2012/13 i	86.2	-	86.2	23.8	110.0
	2011/12	81.1	-	81.1	22.0	103.1
<b>Chief Executive</b>	2012/13 i	80.8	-	80.8	22.3	103.1
	2011/12	107.9	-	107.9	29.0	136.9
<b>Chief Finance Officer</b>	2012/13	89.4	-	89.4	22.9	112.3
	2011/12	84.6	-	84.6	22.0	106.6
<b>Head of Legal, Democratic Services and Regulatory Services</b>	2012/13	82.2	-	82.2	22.5	104.7
	2011/12	84.2	5.6	89.8	23.9	113.7
<b>Head of Housing</b>	2012/13	64.0	6.9	70.9	17.7	88.6
	2011/12	62.0	6.6	68.6	17.1	85.7
<b>Head of Environmental and Regulatory Services</b>	2012/13 ii	-	-	-	-	-
	2011/12	3.6	-	3.6	1.0	4.6
<b>Head of Community Services</b>	2012/13	64.3	4.6	68.9	17.7	86.6
	2011/12	62.0	6.6	68.6	17.1	85.7
<b>Head of Human Resources, Customer Services and IT</b>	2012/13	64.3	-	64.3	17.7	82.0
	2011/12	62.4	-	62.4	17.1	79.5
<b>Head of Planning and Building Control</b>	2012/13 iii	35.1	-	35.1	9.5	44.6
	2011/12	64.4	-	64.4	17.7	82.1
<b>2012/13 Totals</b>		<b>566.3</b>	<b>11.5</b>	<b>577.8</b>	<b>154.1</b>	<b>731.9</b>
<b>2011/12 Totals</b>		<b>612.2</b>	<b>18.8</b>	<b>631.0</b>	<b>166.9</b>	<b>797.9</b>

Note i: The Chief Executive left on 31 December 2012 and the Chief Policy and Partnership Officer was promoted to the new post of Chief Executive and Head of Policy and Partnerships on 1st February 2013.

Note ii: The Head of Environment and Regulatory Services left on 22 April 2011 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.

Note iii: The Head of Planning and Building Control left on 14 October 2012 (annualised salary £64,037). The post is vacant and being covered by a contracted consultant.

## Notes to the Accounts

### 31. cont.

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

2011/2012 Number ex. redundancies	2011/2012 Number inc. redundancies		2012/2013 Number ex. redundancies	2012/2013 Number inc. redundancies
		Remuneration		
9	13	£50,000 - £54,999	5	6
2	4	£55,000 - £59,999	1	1
1	2	£60,000 - £64,999	-	-
-	1	£65,000 - £69,999	-	-
-	1	£70,000 - £74,999	-	1
-	1	£75,000 - £79,999	-	-
-	1	£100,000 - £104,999	-	-
<b>12</b>	<b>23</b>	<b>Total</b>	<b>6</b>	<b>8</b>

### 32. Termination Benefits

The Council terminated the contracts of two employees in 2012/2013, incurring costs of £64,138 (£610,076 in 2011/2012). 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)	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	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12 £'000	2012/13 £'000
£'000								
£0 - £20	3	1	14	-	17	1	175.3	15.3
>£20 - £40	2	-	10	-	12	-	337.8	-
>£40 - £60	1	1	1	-	2	1	97.0	48.8
Total	6	2	25	-	31	2	610.1	64.1

## Notes to the Accounts

### 33. External Audit Costs

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

<b>2011/2012</b> <b>£'000</b>		<b>2012/2013</b> <b>£'000</b>
134	Fees payable with regard to external audit services carried out by the appointed auditor for the current year	79
64	Fees payable for the certification of grant claims and returns	39
<b>198</b>		<b>118</b>

## Notes to the Accounts

### 34. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/2013. The figures for 2011/2012 have been reduced by an amount of income £1,592,000, which has been more correctly classified as Fees, charges and other service income.

2011/2012 Restated £'000	Grant Income	2012/2013 £'000
	<b>Credited to Taxation and Non specific grant income</b>	
4,373	Non-Domestic Rates Redistribution	5,079
1,352	Revenue support Grant	98
681	Capital Grants and contributions	944
<b>6,406</b>	<b>Sub-Total</b>	<b>6,121</b>
	<b>Credited to services</b>	
29,352	Rent Allowances & Benefits	31,357
6,688	Council tax benefits	6,682
685	Benefits Administration Grant	577
468	New Homes Bonus	867
74	Homelessness Grant	78
213	Supporting People Grant	166
1,036	Other contributions	1,109
<b>38,516</b>	<b>Sub-Total</b>	<b>40,836</b>
<b>44,922</b>	<b>Total</b>	<b>46,957</b>

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

31 March 2012 £'000	Capital Grants Received in Advance	31 March 2013 £'000
586	Section 106 advances	627
-	Other	83
<b>586</b>	<b>Total Grants received in advance</b>	<b>710</b>

# Notes to the Accounts

## 35. 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.

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2012/2013 is shown in Note 30. During 2012/2013 Cllr Ellis was a board member of Hightown Praetorian and Churches HA. Transactions with this organisation were:

Grants totalling £120,120.

Other payments totalling £58,616.

The transfer of a garage sites for £120,000 to deliver ten units of affordable housing.

All transactions were properly approved in accordance with the Council's constitution. Details of these transactions are recorded in the Register of Member's Interest, open to public inspection at the Civic Centre during office hours.

### Officers

During 2012/2013 there were no declarations of pecuniary interest by Council Officers 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 Hertfordshire Crematorium through a Joint Committee. The Agreement provides for deficits to be met by the constituent councils but in practice the Crematorium meets its running costs from its own income, and builds up reserves where possible to meet future capital improvement costs. The 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

### 36. 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.

2011/2012 £'000	Capital financing Requirement	2012/2013 £'000
<b>12,504</b>	<b>Opening Capital Financing Requirement</b>	<b>200,679</b>
	<b>Capital investment</b>	
18,300	Property, Plant and Equipment	22,649
145	Intangible assets	52
847	Revenue Expenditure funded from Capital under Statute	676
175,916	HRA - Self Financing payment	-
<b>195,208</b>		<b>23,377</b>
	<b>Less Sources of Finance</b>	
1,424	Capital Receipts	673
258	Government Grants	120
437	Third Party Contributions	956
3,962	Major Repairs Reserve	8,006
206	Leaseholders Recharge	183
630	Other reserves General Fund	31
-	Other reserves HRA	211
-	Voluntary revenue provision HRA	1,115
116	Minimum revenue provision	224
<b>7,033</b>		<b>11,519</b>
<b>200,679</b>	<b>Closing Capital Financing Requirement</b>	<b>212,537</b>

2011/2012 £'000	Explanation of movements in year	2012/2013 £'000
188,175	Increase in underlying need to borrow (unsupported by government financial assistance)	11,858
<b>188,175</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>11,858</b>

# Notes to the Accounts

## 37. 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:

2011/2012 £'000		2012/2013 £'000
25	Not later than one year	19
77	Later than one year and not later than five years	58
-	- Later than five years	-
<b>102</b>		<b>77</b>

The expenditure charged to the Comprehensive I&E Statement during the year in relation to these leases was £25,011.

### 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:

2011/2012 £'000		2012/2013 £'000
445	Not later than one year	895
362	Later than one year and not later than five years	2,622
424	Later than five years	4,146
<b>1,231</b>		<b>7,663</b>

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

In 2012/2013 the rent receivable by the Council was £1,142,706 (2011/2012 £1,231,792).

# Notes to the Accounts

## 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.

### Transactions Relating to Post-employment Benefits

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

## Notes to the Accounts

38. 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:

2011/2012 £'000	Transactions Relating to Post Employment Benefits	2012/13 £'000
	<b>Comprehensive Income and Expenditure Statement</b>	
	<i>Cost of Services:</i>	
1,631	- Current Service Cost	1,765
15	- Past Service Cost/(credit)	-
628	- Settlements and Curtailments	60
	<i>Financing and Investment Income and Expenditure</i>	
5,332	- Interest cost	5,100
(4,322)	- Expected return on scheme assets	(3,488)
<b>3,284</b>	<b>Total Post Employment Benefit Charged/(Credited) to the Surplus or Deficit on the Provision of Services</b>	<b>3,437</b>
	<i>Other Post Employment Benefit Charged/(Credited) to the Comprehensive Income and Expenditure Statement</i>	
(8,987)	<b>Actuarial gains and (losses)</b>	(5,585)
<b>(8,987)</b>	<b>Total Post Employment Benefit Charged/(Credited) to the Comprehensive Income and Expenditure Statement</b>	<b>(5,585)</b>
	<b>Movement in Reserves Statement</b>	
(3,284)	Reversal of net charges made to the Surplus or deficit for the Provision of Services for employment benefits in accordance with the Code	(3,437)
	<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>	
2,523	Employers' Contributions payable to the scheme	2,707

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 2013 a loss of £38.597 million and at 31 March 2012 a loss of £33.012 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):

2011/12 £'000	Pension Scheme Liabilities	2012/13 £'000
98,008	<b>Opening balance at 1 April</b>	107,169
1,631	Current Service Cost	1,765
5,332	Interest Cost	5,100
566	Contributions by scheme participants	556
5,973	Actuarial (gains) and losses	11,483
(4,984)	Benefits Paid	(4,226)
15	Past Service Costs/(Credit)	-
628	Curtailments	60
<b>107,169</b>	<b>Closing Balance 31 March 2013</b>	<b>121,907</b>

Reconciliation of fair value of the scheme assets:

2011/12 £'000	Pension Scheme Assets	2012/13 £'000
64,491	<b>Opening balance at 1 April</b>	63,904
4,322	Expected rate of return	3,488
(3,014)	Actuarial gains and (losses)	5,898
2,523	Employer contributions	2,707
566	Contributions by scheme participants	556
(4,984)	Benefits paid	(4,226)
<b>63,904</b>	<b>Closing Balance 31 March 2013</b>	<b>72,327</b>

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

The actual return on scheme assets in the year was £9.398million (2011/2012 £1.320 million)

## 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.

<b>Pension Scheme History</b>	<b>2012/13</b>	<b>2011/2012</b>	<b>2010/2011</b>	<b>2009/2010</b>	<b>2008/2009</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Present Value of Liabilities	(121,907)	(107,169)	(98,008)	(122,108)	(78,836)
Fair values of assets in the scheme	72,327	63,904	64,491	63,293	47,878
<b>Deficit in the scheme</b>	<b>(49,580)</b>	<b>(43,265)</b>	<b>(33,517)</b>	<b>(58,815)</b>	<b>(30,958)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £49.581 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 2014 is £2.448 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 2012	Actuarial Assumptions	31 March 2013
	<b>Long-term expected rate of return on assets in the scheme</b>	
6.2%	Equity investments	4.5%
4.0%	Bonds	4.5%
4.4%	Property	4.5%
3.5%	Cash	4.5%
	<b>Mortality assumptions</b>	
	Longevity at 65 for current pensioners	
21.0	Men	21.0
23.8	Women	23.8
	Longevity at 65 for future pensioners	
22.9	Men	22.9
25.7	Women	25.7
	<b>Financial assumptions</b>	
2.5%	Rate of inflation	2.8%
4.8%	Rate of increase in salaries	5.1%
5.5%	Rate of increase in pensions	4.5%
4.8%	Rate for discounting scheme liabilities	4.5%

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

31 March 2012 %	Pension Scheme Assets in Proportion to Total Assets Held	31 March 2013 %
69	Equity Investments	71
18	Bonds	18
6	Property	5
7	Cash	6
<b>100</b>		<b>100</b>

## Notes to the Accounts

### 38. History of Experience Gains and Losses

cont.

The actuarial gains identified as movements of Pensions Reserve in 2012/2013 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013.

History of Experience Gains and Losses	2012/13	2011/2012	2010/2011	2009/2010	2008/2009
	%	%	%	%	%
Difference between the expected and actual return on assets	8.2%	-4.7%	-2.7%	19.9%	-40.9%
Experience gains and losses on liabilities	-0.2%	1.5%	-7.5%	0.0%	0.0%

### 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 MMI owes cannot be worked out until all current and future claims have been settled. MMI may not have enough money to pay its debts in the future. If that is the case, MMI can claim back from its major policy holders part of the claims paid from 1 October 1993. On advice, we have made a provision in our accounts in 2012/2013 of £68,000 being 15% of the value of claims outstanding (£501,278) less £50,000. The balance of unprovided claims MMI could ask for as at 31 March 2013 is £383,278 (31 March 2012 £451,278).
- ii) A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is £215,000 plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present."

# 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 £9,920,038 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 2013 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 £1,118,739 (2011/2012  
 cont. £967,302) outstanding from customers, £1,096,061 (2011/2012 £805,002) is past due and this is analysed by age as follows :

31 March 2012 £'000	Trade Debtors Ageing	31 March 2013 £'000
383	Less than 3 months overdue	617
69	3 to 6 months overdue	84
85	7 months to 1 year overdue	127
268	More than 1 year overdue	268
<b>805</b>		<b>1,096</b>

At the date of certification of accounts, 90% of the “less than 3 months overdue” of £617,000 had been 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 the 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 2011/2012 taking the total housing debt to £191.1 million. In order to take account of low interest rates and favourable terms all borrowings were taken at fixed interest rates. The repayment of debt has been taken into account in the Housing 30 year business plan and it is considered that planned rental income is sufficient to repay debt when it becomes due.

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

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

The maturity analysis of financial liabilities is as follows:

# Notes to the Accounts

40.  
cont.

<b>31 March 2012 £'000</b>	<b>Maturity Analysis of Financial Liabilities</b>	<b>31 March 2013 £'000</b>
-	Less than one year	1,000
1,000	Between one and two years	3,500
9,660	Between two and five years	13,160
41,000	Between five and ten years	47,000
71,000	Between ten and fifteen years	75,000
66,916	Between fifteen and twenty years	49,916
1,500	More than twenty years	1,500
<b>191,076</b>		<b>191,076</b>

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

## Market Risk

### Interest Rate risk

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

The average interest rate earned on investments during the year was 1.069%, and if interest rates throughout the year had been 1% higher this would have increased the amount of interest earned on investments by £228,000.

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.

Reconciliation of the Carrying Value of Heritage Assets Held by the Authority	Exhibits	Silver	Civic Regalia	Cups and Trophies	Sculptures	War Memorials	Total Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation:</b>							
1 April 2011	3,860	657	43	600	34		5,194
<b>31 March 2012</b>	<b>3,860</b>	<b>657</b>	<b>43</b>	<b>600</b>	<b>34</b>	<b>-</b>	<b>5,194</b>
<b>Cost or valuation:</b>							
1 April 2012	3,860	657	43	600	34		5,194
Revaluation	105	-	-	-	-	263	368
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-	(333)	-	(90)	-	-	(423)
<b>31 March 2013</b>	<b>3,965</b>	<b>324</b>	<b>43</b>	<b>510</b>	<b>34</b>	<b>263</b>	<b>5,139</b>

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

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

The museums' 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.

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

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

# Notes to the Accounts

## 42. Preservation and Management

cont.

### Acquisition and Disposal

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

### Preservation and Management - Collections Care

St Albans 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.

## 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.

2011/2012 £'000	Housing Revenue Account Income and Expenditure Statement	2012/2013 £'000
	<b>Expenditure</b>	
4,049	Repairs and Maintenance	3,629
5,170	Supervision and Management	4,759
177	Rents, Rates, Taxes and other charges	217
10,943	Negative HRA subsidy payable	-
175,916	Housing Self Financing payment to Government	-
18,262	Depreciation and impairment of non-current assets	13,368
77	Debt Management costs	10
99	Movement in the allowance for bad debts	99
<b>214,693</b>	<b>Total Expenditure</b>	<b>22,082</b>
	<b>Income</b>	
(23,611)	Dwelling rents	(24,733)
(1,071)	Non-dwelling rents	(1,081)
-	HRA subsidy receivable	(34)
(349)	Charges for services and facilities	(563)
(28)	Contributions towards expenditure	(45)
(213)	Other Government Grants	(166)
<b>(25,272)</b>	<b>Total Income</b>	<b>(26,622)</b>
<b>189,421</b>	<b>Net Expenditure or (Income) of HRA services as included in the whole authority Comprehensive Income and Expenditure</b>	<b>(4,540)</b>
183	HRA share of Corporate and Democratic Core	181
<b>189,604</b>	<b>Net Expenditure or (Income) of HRA Services</b>	<b>(4,359)</b>
	<b>HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement</b>	
(894)	Gain on sale of HRA non-current assets	(1,277)
122	Interest payable and similar charges	5,251
(51)	Interest and investment income	(81)
198	Pension interest cost and expected return on pension assets	252
(546)	Other capital receipts	(241)
<b>188,433</b>	<b>(Surplus)/Deficit for the year on HRA services</b>	<b>(455)</b>

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

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

2011/2012 £'000	Movement on the Housing Revenue Account Statement	2012/2013 £'000
(1,689)	<b>Balance on the HRA at the end of the previous year</b>	(2,128)
188,433	(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement	(455)
	<b>Adjustments between accounting basis and funding basis under statute</b>	
(175,916)	Transfer from the Capital Adjustment Account for the housing self financing payment	-
(7,871)	Transfer from the Capital Adjustment Account for the impairment of dwellings	(2,697)
-	Transfer to the Capital Adjustment Account for debt repayment provision	1,115
-	Transfer to the Capital Adjustment Account for Revenue expenditure funded from capital under statute	(346)
-	Contribution from the Capital Receipts Reserve towards the administrative costs of non-current asset disposals	(30)
(6,453)	Transfer from Major Repairs Reserve	-
15	Annual amortisation of the premiums and discounts in the Financial Instruments Adjustment Account	-
894	Gain on sale of HRA non-current assets	1,277
467	Capital grants and Contributions Applied	182
78	Other Capital Receipts	241
(86)	HRA share of contributions to or from the Pensions Reserve	(148)
<b>(439)</b>	<b>Net (increase) or decrease before transfers to or from</b>	<b>(861)</b>
-	<b>Transfers to or (from) reserves</b>	231
<b>(439)</b>	<b>(Increase)/decrease in year on the HRA</b>	<b>(630)</b>
<b>(2,128)</b>	<b>Balance on the HRA at the end of the current year</b>	<b>(2,758)</b>

# 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 5,118 dwellings as at 31 March 2013 as follows:

31 March 2012	Number of Dwellings by Type	31 March 2013
	One bedroom dwellings	
327	- Houses and Bungalows	326
1,298	- Flats	1268
	Two bedroom dwellings	
532	- Houses and Bungalows	528
882	- Flats	875
	Three bedroom dwellings	
1,953	- Houses and Bungalows	1945
27	- Flats	27
	Four or more bedroom dwellings	
92	- Houses and Bungalows	92
49	Multi-occupied dwellings	57
<b>5,160</b>		<b>5,118</b>

On 31 March 2013, 0.5% (2012 3.44%) of lettable properties were vacant.

The change in stock can be summarised as follows:

2011/2012	Dwelling Stock Reconciliation	2012/2013
5,206	Stock at 1 April	5,160
(6)	Less: Right to buy sales	(18)
(40)	Reclassifications and other disposals	(24)
<b>5,160</b>	Stock at 31 March	<b>5,118</b>

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 2012/2013. 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 2012/2013 (35% in 2011/2012).

31 March 2012 £'000	Housing Property Balance Sheet Values	31 March 2013 £'000
373,980	Dwellings	355,092
	Other land and buildings	16,708
4,151	Garages	4,175
<b>378,131</b>	<b>Operational Assets</b>	<b>375,975</b>
4,045	Non-Operational Assets (Shops etc)	2,658
<b>382,176</b>		<b>378,633</b>

## 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 2012 £'000	Vacant Possession Value	At 31 March 2013 £'000
1,071,066	HRA Dwellings	1,061,160

# Housing Revenue Account – Notes to the Accounts

## H2. Major Repairs Reserve

Authorities are required by the Accounts and Audit (England) Regulations 2011 to maintain the Major Repairs Reserve (MRR), which controls an element of the capital resources required to be used on HRA assets or for capital financing purposes. Under the new arrangements in the self-financing HRA the entry which primarily will establish the resources available on an annual basis in the Major Repairs Reserve is the credit of an amount equivalent to the total depreciation charges for all HRA assets. The movement in the reserve was as follows:

2011/2012 £'000	Major Repairs Reserve	2012/2013 £'000
(25)	Opening Balance 1 April	-
	Transfer to Reserve in year	
(10,320)	Depreciation Dwellings	(10,404)
(70)	Depreciation Non-Dwellings	(71)
6,453	Transferred to HRA in year	-
<b>(3,937)</b>	<b>Sub-total (equivalent to MRA in note H7)</b>	<b>(10,475)</b>
3,962	Used to fund capital expenditure in year	8,006
-	<b>Closing Balance at 31 March</b>	<b>(2,469)</b>

## H3. Capital Expenditure

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

2011/2012 £'000	Categories of Capital Expenditure	2012/2013 £'000
2,059	Kitchens and bathrooms	2,695
1,075	External walls and roofing	1,407
1,244	Windows and doors	1,948
1,491	Heating, wiring and plumbing	2,342
1,574	Other	1,138
<b>7,443</b>	<b>Council Dwellings Additions</b>	<b>9,530</b>
<b>1,159</b>	<b>Other capital expenditure</b>	<b>691</b>
<b>18</b>	<b>Other land and buildings</b>	<b>120</b>
<b>8,620</b>		<b>10,341</b>

## Housing Revenue Account – Notes to the Accounts

H3 cont. b) This was financed as follows:

2011/2012 £'000	Financing of Capital Expenditure	2012/2013 £'000
3,962	Major Repairs Reserve	8,006
3,275	Supported capital borrowing	1,725
919	Capital Receipts Reserve	307
464	Grants and contributions	303
<b>8,620</b>	<b>Capital additions</b>	<b>10,341</b>

c) The Council has capital contract commitments as at 31 March 2013 of £432,000 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 a proportion of capital receipts from the disposal of housing assets to the National Pool. In 2012/2013 £688,000 was paid by the Council, which represents 33% of the capital receipts subject to pooling. This is less than the equivalent percentage of 75% in 2011/2012 due to changes in legislation, which now allow authorities to retain more capital receipts on condition the additional retention is spent on the provision of new affordable housing.

The number of Council property sales was 18 (6 in 2011/2012). The following table shows the movements on the capital receipts reserve for the year.

2011/2012 £'000	Capital Receipts	2012/2013 £'000
1,051	House sales (subject to pooling)	2,065
	- Land sales	56
64	Other poolable receipts	5
215	Non-poolable receipts	1,330
<b>1,330</b>	<b>Gross capital receipts</b>	<b>3,456</b>
(3)	Less Costs	(30)
	<b>Payable to National Pool</b>	
(831)	For current year	(688)
	- For prior year	(3)
<b>496</b>	<b>Retained capital receipts</b>	<b>2,735</b>

## Housing Revenue Account – Notes to the Accounts

H4. The Housing Capital receipt balance on 31 March 2013 was £10,202,466 (2012 cont. £7,795,549).

### H5. Depreciation

For Council dwellings land and buildings are split on a 33:67 basis. Depreciation is 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 2011/2012 £'000	Depreciation	Charged 2012/2013 £'000
<b>Operational Assets</b>		
10,320	Dwellings	10,404
	Intangibles	5
70	Garages	66
<b>10,390</b>		<b>10,475</b>

### H6. Impairment

The HRA has suffered an impairment charge to cost of services of £2,893,000. This is made up of four items:

- i) The reversal of the prior year impairment on revaluation of properties of £8,277,000.
- ii) The impairment of the in-year additions of £9,529,000, that are considered not to add value to the properties
- iii) The impairment of sheltered properties, that were demolished during the year, and other dwellings of £1,445,000

The amounts above, totalling £2,697,000, relating to dwellings, have been reversed out of the HRA to the capital adjustment account in accordance with the transitional arrangements under Housing Self financing resulting in no charge to tenants and no effect on the HRA reserve balance.

- iv) The impairment of non-dwelling assets (such as garages and shops) of £196,000.

The impairment of non-dwelling assets is not allowed to be reversed out and therefore results in a real charge to the HRA of £196,000.

# Housing Revenue Account – Notes to the Accounts

## H7. HRA Subsidy

The Housing Subsidy scheme was replaced by Housing Self Financing from 1<sup>st</sup> April 2012. The table below shows the calculation of the subsidy payable for 2011/2012 and the overpayment for that year received by the Council in 2012/2013:

2011/2012 £'000	HRA Subsidy	2012/2013 £'000
	<b>Notional expenditure</b>	
8,391	Management and Maintenance	-
3,937	Major Repairs Allowance	-
152	Charges for capital	-
63	Adjustment for Self Financing	-
<b>12,543</b>	<b>Total notional expenditure</b>	<b>-</b>
	<b>Notional Income</b>	
(23,361)	Rents	-
(1)	Interest on receipts	-
<b>(23,362)</b>	<b>Total notional income</b>	<b>-</b>
(124)	(Under)/Over paid prior year	34
<b>(10,943)</b>	<b>Total HRA Subsidy (payable)/receivable to/from the Government</b>	<b>34</b>

# Housing Revenue Account – Notes to the Accounts

## H8. Pension Costs

The following table shows the charges to the HRA, in accordance with IAS 19, to give the 'Net charge to the HRA' required by the Code. The adjustment in the 'Movement in HRA 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.

2011/2012 £'000	Pension Costs	2012/2013 £'000
	Net Cost of Services:	
447	- Current Service Cost	286
	Net Operating Expenditure:	
1,048	- Interest Costs	799
(850)	- Expected return on assets in the scheme	(547)
<b>645</b>	<b>Net charge to the HRA</b>	<b>538</b>
	Amounts to be met from Government Grants and Local	
(86)	- movement on pensions reserve	(148)
	<i><b>Actual amount charged against Council tax for pensions in the year:</b></i>	
<b>559</b>	<b>Employers' contributions payable to the scheme</b>	<b>390</b>

## H9. Rent Arrears and Bad Debts

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

2011/2012 £'000	Council Tenant Rent Arrears	2012/2013 £'000
782	Arrears at 31 March	917
3.4%	Rent arrears as a percentage of gross rent income	3.9%

# Housing Revenue Account – Notes to the Accounts

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

2011/2012	Bad Debt Provision	2012/2013
£'000		£'000
277	Bad debts provision at 1 April	249
(127)	Debts written off in the year	(71)
99	Increase/(decrease) in provision	99
<b>249</b>	<b>Bad debt provision at 31 March</b>	<b>277</b>

## H10. Rent Rebates

Assistance with rents for those on low incomes is available under the Housing Benefits Scheme. In 2012/2013, 55.6% (2011/2012 56.9%) of the Council's rents receivable were by way of benefits. Rent rebates are chargeable to the General Fund and reclaimed from Central Government by way of a Housing Benefit grant.

## H11. Revenue expenditure funded from capital under statute

An amount of £164,000 has been charged to the HRA cost of services being the net of the cost of capital expenditure chargeable to leaseholders and the amount invoiced to leaseholders. This has been reversed out to the Capital Adjustment Account in the Movement on the HRA Statement. The charge in 2012/2013 arises due to a timing difference between the work being done and being invoiced and there will be reversing entries in 2013/2014.

# 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.

2011/2012 £'000	Collection Fund Income and Expenditure Account	Note	2012/2013 £'000
	<b>Income</b>		
(85,164)	Council Tax	C1	(86,059)
	Transfers from the General Fund		
(6,614)	- Council Tax Benefits		(6,548)
(60,910)	Income collectable from business ratepayers	C2	(59,989)
<b>(152,688)</b>	<b>Amounts required by statute to be credited to the Collection Fund</b>		<b>(152,596)</b>
	<b>Expenditure</b>		
	Precepts and Demands:		
68,671	Hertfordshire County Council		69,106
9,073	Hertfordshire Police Authority		9,130
12,577	St Albans District Council (including Parishes)		12,691
<b>90,321</b>			<b>90,927</b>
	Business rates		
60,472	- Payment to the national pool		59,350
438	- Costs of collection		639
<b>60,910</b>			<b>59,989</b>
	Impairment of debts/appeals		
58	- write-offs of uncollectable amounts		59
199	- allowance for impairment		179
<b>257</b>			<b>238</b>
882	Contributions towards previous year's estimated Collection Fund surplus	C3	1,144
<b>152,370</b>	<b>Total Expenditure</b>		<b>152,298</b>
<b>(318)</b>	<b>Movement on Fund balance</b>		<b>(298)</b>
(879)	Balance at 1 April brought forward		(1,197)
<b>(1,197)</b>	<b>Balance at 31 March carried forward</b>	C4	<b>(1,495)</b>
	<b>Fund balance carried forward allocation:</b>		
(168)	St Albans District Council (included in reserves)		(209)
(1,029)	Precepting Authorities (included in creditors)		(1,286)
<b>(1,197)</b>	<b>Total carried forward</b>		<b>(1,495)</b>

# Collection Fund – Notes to the Accounts

## C1. Council Tax

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

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

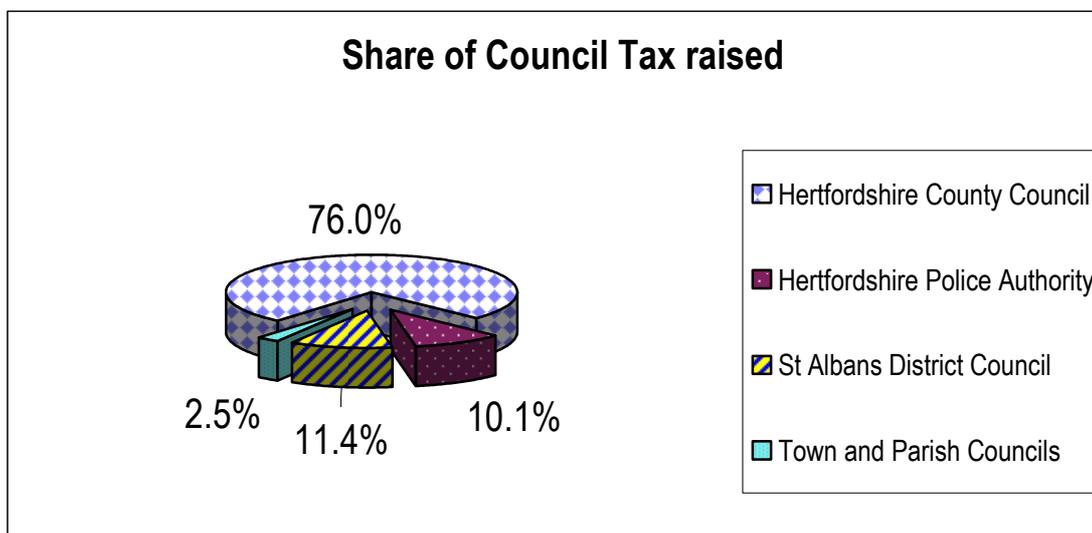
Band	Property Value	Number of dwellings	Ratios	Band D equivalents
A	up to £40,000	687	0.67	460
B	between £40,001 and £52,000	2,381	0.78	1,857
C	between £52,001 and £68,000	7,542	0.89	6,712
D	between £68,001 and £88,000	13,991	1.00	13,991
E	between £88,001 and £120,000	11,546	1.22	14,086
F	between £120,001 and £160,000	8,247	1.44	11,876
G	between £160,001 and £320,000	6,769	1.67	11,304
H	over £320,000	1,052	2.00	2,104
		52,215		62,390
	Less adjustment for non-collection (1.0%)			(624)
	<b>Council Tax Base for 2012/2013</b>			<b>61,766</b>
	Council Tax Base for 2011/2012			61,378

Council Tax Levy at Band D by Precepting Council:

2011/2012	Council Tax Levy at Band D	2012/2013
£1,118.83	- Hertfordshire County Council	£1,118.83
£147.82	- Hertfordshire Police Authority	£147.82
£168.71	- St Albans District Council	£168.28
<b>£1,435.36</b>		<b>£1,434.93</b>
£36.20	- Add Town and Parish Councils	£37.20
<b>£1,471.56</b>	<b>Average Council tax Levy at Band D</b>	<b>£1,472.13</b>

# 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.

2011/2012	Business Rate Factors	2012/2013
£ 157,169,416	Rateable value at 31 March 2013 as notified by the Valuation Office Agency	£ 155,596,241
43.3p	NNDR rate poundage	45.8p
42.6p	Small business rate NNDR	45.0p

## 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 2012 and this was distributed in 2012/2013 in proportion to the precepts paid in 2011/2012 as follows:

2011/2012 £'000	Precepting Authorities	2012/2013 £'000
654	- Hertfordshire County Council	869
88	- Hertfordshire Police Authority	115
140	- St Albans District Council	160
<b>882</b>	<b>Total surplus</b>	<b>1,144</b>

### 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 2012/2013 (made in January 2013) will be shared on the basis of the proportionate make up of the bills for the 2012/2013 year of account. The difference between this estimate and the outturn in the 2012/2013 Statement of Accounts will be shared according to the proportionate make up of the bills for the 2013/2014 year of account.

This results in the following allocation:

2011/2012 £'000	Allocation of Collection Fund Balance	2012/2013 £'000
910	- Hertfordshire County Council	1,135
119	- Hertfordshire Police Authority	151
<b>1,029</b>	<b>Precepting Authorities balance</b>	<b>1,286</b>
168	- St Albans District Council (including Town & Parish Councils)	209
<b>1,197</b>	<b>Total Collection Fund Surplus</b>	<b>1,495</b>

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 2012/2013

### **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(3) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of such a statement.

### **The purpose of the governance framework**

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

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

The 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 S151 Officer who is the Deputy Chief Executive (Finance) are detailed as appropriate below.

The governance framework described in this statement has been in place at St Albans City and District Council for the year ended 31 March, 2013 and up to the date of approval of the statement of accounts.

# Annual Governance Statement

## The Council's governance arrangements

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

The vision and priorities of the Council are reviewed annually. A refreshed corporate plan 2013/18 was presented to and approved by Cabinet and Council in January and February 2013.

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

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

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, usually 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.

# Annual Governance Statement

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

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

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

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

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

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

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

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

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.

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 2012/2013.

# Annual Governance Statement

The Member/Officer relationship is subject to a protocol which is distributed to all Members and Staff and is the subject of induction training. This is set out in the Constitution. 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.

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. All Councillors also have access to the Council's Members' Microsite which contains information on training opportunities, news items, and other information on developments across the council and district. 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.

# Annual Governance Statement

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 communication plan is also developed for key corporate projects.

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

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

Comprehensive arrangements are in place to research citizens' views and consult them on policies and proposals of the Council. A bi-annual Community Survey of service satisfaction and corporate reputation is carried out, most recently in 2012. A representative sample of over 800 residents makes up a Community Panel. 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 (which will be replaced in 2013/2014 by the City Neighbourhoods Committee) and biannual Parish Conference. Through this close liaison with parishes, the Council has been able to transfer a number of assets to Town and Parishes Councils which places them closer to local communities. Other area and topic specific meetings for parks/leisure and specific services, such as housing, ensure that service users are consulted and informed. 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. In particular, this details 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.

# Annual Governance Statement

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

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

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

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 2012/13 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.

# Annual Governance Statement

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.

Regulation 6 of the Accounts and Audit (Amendment) (England) Regulations 2011 requires Local Authorities to review the effectiveness of their system of internal audit once a year and for the findings of the review to be considered by a committee of the Authority (in SADC's case, the Audit Committee) or by the Authority as a whole.

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

- the Internal Audit Department against the CIPFA Code of Practice for Internal Audit in Local Government 2006;
- 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 the Council's risk strategy;
- consideration of this document by the Council's Heads of Service, Deputy Chief Executive 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 2012-13.

# Annual Governance Statement

## 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 to the recording of the risk of fraud in the Council's risk registers. Actions which have been taken by the Council include:

- a. An audit was undertaken on Anti Fraud, Bribery and Corruption (the report issued in April 2012) which recommended that all risk registers contain the risk of fraud and a follow up of this audit is currently being undertaken.
- b. Internal Auditors review risk registers on each audit that they undertake and recommend to managers where this needs to be updated to account for various types of risk.
- c. An email was sent to the Chief Executive's Board to remind Heads of Service that risk registers need to include the risk of fraud.
- d. Anti Fraud training has been provided to staff where it was stated that fraud risks should be in departmental risk registers.
- e. Risk registers are monitored on a weekly basis by the Chief Executive's Change Board.

The work of the Audit Commission identified that the Council should improve its Fixed Asset Register and the work which uses it, as well as the notes to the accounts regarding Property Plant and Equipment. The Council accepted and addressed these points in 2012/2013.

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

Signed:

Executive Leader of the Council

Chief Executive

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

## **Opinion on the Authority's financial statements**

We have audited the financial statements of St Albans City and District Council for the year ended 31 March 2013 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, and the related notes 1 to 42, the Housing Revenue Account Income and Expenditure Statement and the related notes H1 to H11, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes C1 to C4. 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 2012/13.

This report is made solely to the members of St Albans City and District Council, as a body, 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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the 'Statement of Responsibilities for the Statement of Accounts' set out on page 12, 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 2012/13, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Deputy Chief Executive (Finance) and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2012-13 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of St Albans City and District Council as at 31 March 2013 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 2012/13.

## **Opinion on other matters**

In our opinion, the information given in the Statement of Accounts 2012/13 for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we 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
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

## **Conclusion on the 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.

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, 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 us to consider under the Code of Audit Practice in satisfying ourselves 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 2013.

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

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, St Albans City and District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

### **Certificate**

We certify that we have completed the audit of the accounts of St Albans City and District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

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Date: 27 September 2013

M Hodgson  
for and on behalf of Ernst & Young LLP, Appointed Auditor  
Cambridge

# 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 an 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 an 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.