



**St Albans**  
City & District Council

# **Statement of Accounts 2018/19**

**AUDITED**

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# Foreward

## Foreword by the Deputy Chief Executive (Finance and Legal)

Dear Reader,

I am pleased to present the Statement of Accounts for St Albans City and District Council for the year ended 31 March 2019.

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

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

Deputy Chief Executive (Finance and Legal)

# Narrative Statement

## General Information

The City and District of St Albans has a special character, with a blend of City, towns, villages and Green Belt countryside. It has a resident population of 145,000, the second highest in Hertfordshire.

St Albans covers an area of 63 square miles and is located within the Metropolitan Green Belt, 20 miles north of London. Hertfordshire's towns are influenced by proximity to London. These towns are relatively close to each other with complex spatial relationships between them for shopping, leisure, employment, education and other purposes. St Albans District is no exception.

The historic Cathedral City of St Albans is the largest settlement in the District. St Albans is Hertfordshire's oldest town. In Roman times, when it was called Verulamium, it was one of the largest towns in Roman Britain. A strong medieval heritage is still evident within the City core and with each successive historic period further architectural richness and variety has been added to create a City of rich character.

## A home to many employers

The majority of employment in the District is in business administration and support services (18%) followed by professional, scientific and technical work (15%), wholesale and retail trades (15%) and education (8%)

St Albans residents are primarily employed in management, professional and technical occupations. This accounts for 66% of employed residents against an average for the East of England of 46%. Administrative and skilled trades account for 12% of residents' occupations in St Albans District against an average for the East of England of 21%.

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

## About St Albans City and District Council

St Albans District is in West Hertfordshire.

- We are one of ten District and Borough Councils in Hertfordshire.
- We provide a wide range of local services including planning and building control, housing, waste and environmental services.

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- We are represented by 58 District Councillors in 20 wards, directly elected to serve four year terms.
- We currently employ 341 full time equivalent employees.
- We work with partners such as Town and Parish Councils, Hertfordshire County Council the police, voluntary and community sector, health and educational sectors.
- We own our own housing stock and also work with a number of partner housing associations to provide homes for local people.
- We work with a number of commercial partner organisations that provide local services on our behalf.

## Our Vision, Commitments and Priorities

Our vision sets out our overarching goal.

Our commitments are our objectives for delivering the vision.

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

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

<http://www.stalbans.gov.uk/council-and-democracy/PerformSpendAccount/performance/>

Our priorities for 2018/19 were:	Our Performance was:
<p><b>Thriving Community</b></p> <ul style="list-style-type: none"> <li>• Progress the sheltered housing redevelopment programme.</li> <li>• Progress affordable housing on two garage sites in Sandridge (and identify other sites for development).</li> <li>• Continue the substantial programme of improvement for Council houses and flats.</li> </ul>	<p><b>Thriving Community</b></p> <ul style="list-style-type: none"> <li>• Work continues on redeveloping sheltered housing blocks. Construction has finished on Betty Entwistle House. Construction continues at Linley Court and Wavell House. Planning permission has been granted for Mereden Court.</li> <li>• Affordable housing on two former garage sites in Batchwood and two former garage sites in Sandridge completed and opened.</li> <li>• New housing repairs and improvement contract has been awarded and mobilised at end of March, programme of improvement works continues into 2019/20.</li> </ul>

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<p><b>Great Place</b></p> <ul style="list-style-type: none"> <li>• Progress the Local Plan.</li> <li>• Progress the development of the St Albans City Centre Opportunity Site (CCOS), Ridgeview in London Colney, and the former Museum of St Albans site.</li> <li>• Deliver the Town Hall as a new museum and art gallery.</li> <li>• Develop Harpenden leisure and cultural facilities.</li> <li>• Progress options for an improved St Albans athletics track.</li> </ul>	<p><b>Great Place</b></p> <ul style="list-style-type: none"> <li>• Local Plan submitted to Minister for Housing, Community and Local Government. Worked with neighbouring councils on Duty to Cooperate and Joint Strategic Plan as part of South West Herts Group.</li> <li>• Detailed preparations for development of City Centre Opportunity Site (CCOS), with demolition underway, concept design and cost plan completed for South site and planning application to be submitted.</li> <li>• Exploring options to progress use and development of Ridgeview in London Colney.</li> <li>• Oaktree Gardens development on former Museum of St Albans site is practically complete, and first residents have moved in.</li> <li>• St Albans Museum + Gallery opened in June 2018. Fundraising continues, with £1.58m of £1.7m target raised as at end of March by the Museums Trust.</li> <li>• Planning permission for Harpenden leisure and cultural facilities received and contractors appointed, to begin leisure centre construction.</li> <li>• Athletics track resurfaced and re-opened.</li> </ul>
<p><b>Vibrant Economy</b></p> <ul style="list-style-type: none"> <li>• Support delivery of the Enviro Tech Enterprise Zone in partnership with Dacorum Borough Council, Hertfordshire Local Enterprise Partnership and the relevant landowners.</li> </ul>	<p><b>Vibrant Economy</b></p> <ul style="list-style-type: none"> <li>• Hertfordshire Innovation Quarter Enterprise Zone launched in March, with further partnership work ongoing to support long term development of the zone</li> </ul>
<p><b>Cost Effective Council</b></p> <ul style="list-style-type: none"> <li>• Implement digital technologies to transform services for customers.</li> <li>• Shape the Council to meet the future needs of residents, businesses and visitors.</li> </ul>	<p><b>Cost Effective Council</b></p> <ul style="list-style-type: none"> <li>• Annual recycling performance for the rolling 12-month period is 62.1%, up from 59.6% in the previous year.</li> <li>• Decision made to bring parking services contracts back in-house from October</li> </ul>

## Narrative Statement

<ul style="list-style-type: none"><li>• Improve recycling rates beyond 60%.</li><li>• Complete an options review for managing the Council's car parks and parking enforcement in the future.</li></ul>	<p>2019. Work now underway to exit existing contracts and transition to new arrangements.</p> <ul style="list-style-type: none"><li>• More services available via online MyStAlbans District Account, including housing self-service module and additional green waste service. Online employee accounts updated with performance management functionality.</li><li>• New Council Values and Behaviours launched and promoted, and new performance conversation model developed to shape the workforce to meet customer needs.</li></ul>
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# Narrative Statement

## The Current Financial Climate

The Council, by law, manages its Housing finances (Housing Revenue Account) separately from those for the rest of its services (General Fund).

General Fund services are predominantly funded from Council Tax, returned Business Rates and government grants.

The Council has generated additional income/made savings of £1.8m, £1.0m, £0.9m, £0.8m, £1.3m and £1.0m in the six years up to and including 2018/19. We expect to make savings and additional income of approximately £2.3m for the three years 2019/20 to 2021/22. The Council is working on this and expects amongst other things to raise more income through commercial activities and digitalisation. This includes taking on new building developments and activities where there are public and commercial benefits. The Council has begun work internally on specifying these savings.

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

The main financial challenges for the HRA are:

- Changes to the Government guidance on rents. This removed the requirements for rents to rise to converge with other parts of the social housing sector. Instead it requires authorities to decrease rents by 1% per annum until 2019/20.
- Balancing the investment needs against rent levels and a desire to reduce the debt over a reasonable period.
- 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 relate to:

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

# Narrative Statement

## Risks

The Council manages risk via corporate and departmental risk registers where it sets out inherent risks, current mitigations and residual risk as well as any further action proposed to be taken. We are reviewing the process of risk management to further improve it. The Council's approach in general has been to take action to reduce risks to an acceptable level and whilst it recognises that some of the commercial activity and income generation work that has been undertaken has a higher inherent risk than most current activity, it has seen the management of this risk and contingency approaches as a key part of this work and has not attempted to be involved in anything that is particularly novel or large in scale compared to other similar Councils, or is outside the District.

Our main financial risks are those related to large capital project spending, or income streams which support them, income from recycling sales and the rate of recycling and the cost of planning appeals.

The Annual Governance Statement provides details about how the Council manages risk. The Council, when it sets the budget, reviews the major risks and the level of reserves that could be used to meet any costs. The Council agreed in December 2018 to increase its target minimum General Fund level to £2.5m and to keep this under review in recognition of the current risk environment.

In terms of the UK leaving the EU the Council has no European Union funding. However, we would be affected by any general changes to the economy including via the pension fund, and investment returns. This is kept under review by the Council's management team together with labour market issues for the Council and contractors and any changes to the market for the Council procuring major contractors. We also review the risks of any of the counter-parties we lend to as a part of our Treasury Management Strategy. This is to take account of any possible adverse movements in credit ratings. As well as this, as discussed later in the narrative statement the Council also has a budget pressure in the long term from meeting its costs of covering the pension fund deficit over time.

The Council is monitoring the outcomes of the Government's related Fair Funding Review due in late 2019 which will most likely change the distribution of Business Rates collected, potentially reducing the Council's share of £2.5m by approximately £0.5m.

# Narrative Statement

## Summary of the Council's Financial Performance in 2018/19

### General Fund results compared to budget

The General Fund records all income and expenditure relating to the provision of services except amounts that go through the supplementary statements. Supplementary statements include the Housing Revenue Account and the Collection Fund Income and Expenditure Account. The following table shows a comparison between the Council's agreed budget and our actual income and expenditure on a departmental basis. (Note a (-) signifies income, an underspend against budget or additional income over budget and + is expenditure, an overspend against budget or lower income compared to budget).

## Narrative Statement

Comparison of Actual to Budget 2018/2019	Notes	Budget £'000	Actual £'000	Variance £'000
<b>Net Cost of Department</b>				
Chief Executive & Policy	i	2,185	2,095	(90)
Finance and Legal	ii	3,125	3,245	120
Commercial & Development	iii	436	899	463
Community Services		5,620	5,537	(83)
Corporate Services		360	409	49
Housing	iv	1,012	719	(293)
Planning & Building Control		2,347	2,314	(33)
<b>Net Council Budget</b>		<b>15,085</b>	<b>15,218</b>	<b>133</b>
<b>Funded by:</b>				
Council Tax		(10,649)	(10,649)	-
Retained Business Rates*	v	(2,429)	(2,546)	(117)
Collection fund Deficit/(surplus)	vi	(350)	(203)	147
New Homes Bonus and other grants		(1,337)	(1,479)	(142)
<b>Total Income</b>		<b>(14,765)</b>	<b>(14,877)</b>	<b>(112)</b>
Budgeted Contribution from Balances		(320)		
<b>(Surplus)/Deficit for the year</b>		<b>-</b>	<b>341</b>	<b>21</b>
<b>Changes to Earmarked Reserves (EMR)</b>				
Approved transfer from GF Reserve to EMR at budget setting	vii		650	
Other net contributions from earmarked reserves			(79)	
Net movement on General Balances			912	
Working Balance Brought Forward			(4,561)	
<b>Working Balance Carried Forward</b>			<b>(3,649)</b>	
* Includes contribution to Business Rates Earmarked Reserve of £0.656m				

The outturn for 2018/19 is a reduction to general reserves of £0.9m, after an increase to earmarked reserves of £1.2m. This resulted in a General Fund and earmarked reserves balance of £8.9m as at 31st March 2019.

Regular monthly budget monitoring reports are presented to the management team. The amounts in the 'actual' column in the table above are reconciled to the amounts reported in the Comprehensive Income and Expenditure Statement (CI&ES) in the Expenditure and Funding note 7.

The significant variances were as follows:

- i. a) £90k underspend related primarily to staffing costs pending a restructure

## Narrative Statement

- ii. a) £93k increase in impairment allowance for doubtful corporate debts
  - b) £145k investment in IT and staffing in Revenues service to improve service delivery
  - c) £132k unspent contingency. The contingency is set aside for 'one off' costs relating to unforeseen items, set up costs for efficiency savings and unmet income targets.
- iii. a) £290k museum service income below budget. The budget for the Museum + Gallery was based on a full year whereas the museum was opened in June 2018.
  - b) £57k leisure management contract income below budget.
  - c) £36k revenue contributions to leisure capital projects and £80k various other adverse variances
- iv. a) £434k underspend in Housing due primarily to the reduction in the impairment allowance for doubtful housing benefit debts. This resulted from a review of default rates which were below the percentages used for estimation in prior years.
  - b) £181k overspend on costs of temporary homeless and homeless support
- v. £115k additional income from Business Rates. Business Rates paid in the Enterprise Zone are retained locally.
- vi. The collection fund surplus payable in 2018/19 was calculated in accordance to statutory requirements in January 2018, after the budget was set in December 2017.
- vii. In setting the budget for 2019/20 the Council approved the addition of 3 new earmarked reserves- Transformation Fund £500k, Restructuring Fund £100k and Train Services Fighting Fund £50k.

## Narrative Statement

### Housing Revenue Account (HRA) compared to budget

The HRA budget, approved at Council in December 2017, shows a net deficit position. The following table shows the major variances between the approved HRA budget and the actual income and expenditure for the year. The table shows that the Council's net position, including transfers to and from reserves. For 2018/19 the net deficit was £2.86m, marginally higher than originally budgeted. The HRA balance has decreased to £4.45m.

<b>Comparison of Actual to Budget 2018/2019</b>				
	<b>Notes</b>	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
<b>Income</b>				
Dwelling Rents and service charges		(26,370)	(26,274)	96
Other Rents and income		(1,895)	(2,044)	(149)
<b>Total Income</b>	<b>i</b>	<b>(28,265)</b>	<b>(28,318)</b>	<b>(53)</b>
<b>Expenditure</b>				
Supervision & Management	ii	5,949	5,798	(151)
Repairs and Maintenance	iii	3,657	4,481	824
Other expenditure	iv	703	525	(178)
<b>Total Expenditure</b>		<b>10,309</b>	<b>10,804</b>	<b>495</b>
<b>Other charges to the HRA</b>				
Capital programme charges	v	7,844	7,445	(399)
Net Interest paid		4,962	4,961	(1)
Provision for debt repayment		8,000	8,000	-
Other		-	(33)	(33)
<b>Total other charges to the HRA</b>		<b>20,806</b>	<b>20,373</b>	<b>(433)</b>
<b>(Surplus)/Deficit for the year</b>		<b>2,850</b>	<b>2,859</b>	<b>9</b>
<b>Balance brought forward</b>		<b>(7,310)</b>	<b>(7,310)</b>	<b>-</b>
<b>Balance carried forward</b>		<b>(4,460)</b>	<b>(4,451)</b>	<b>(9)</b>

- i. Total Income: Dwelling rents were reduced by 1% as required by the Welfare Reform and Work Act 2016. Additional interest received in HRA cashflow of £43k offset this.
- ii. Supervision and Management: The main savings were unspent stock condition survey (£51k) and Telford Court decant (£150k). The decant of Telford Court was originally budgeted for as Officers thought that residents would need to be temporarily resettled to enable the work to be carried out. Following further feasibility the installation of a sprinkler system can be carried out with residents in occupation.

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- iii. Repairs and maintenance: A review of capital expenditure for the year identified a number of items totalling £0.29m budgeted for as capital but now identified and re-classified as revenue items and transferred to 'Repairs and Maintenance'. The remaining difference of £0.54m relates to an overspend on plumbing, carpentry, fire safety works, electrical and gas repairs, general repairs, and voids.
- iv. Rent and rates were lower than the budget and the allowance for doubtful debt was reduced.
- v. This amount is the depreciation charge on housing stock and is effectively set aside in the Major Repairs Reserve (MRR) for Capital Programme charges and debt repayment. Capital expenditure on enhancements such as new bathrooms, kitchens and windows that improve and add value to the housing stock totalling £3.355m were funded from the MRR. Consequently the MRR has increased which will be used in future years to fund capital spend and repay debt.

The Government introduced Housing Self Financing (HSF) in April 2012. Under this scheme the costs of running, maintaining and replacing the Council's housing stock is financed from income generated from rents and, if necessary, capital borrowing. The Government set a limit to the amount of borrowing, which for this Council is £191m and the Council took out loans to this amount in order to pay The Secretary of State under the terms of HSF. The Council took out a series of fixed interest loans and has so far repaid £25.6m to the lender, the Public Works Loans Board.

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

During 2018/19 the Council sold 12 council homes under the government's Right to Buy scheme. The closing stock of housing at 31 March 2019 was 4,898 properties.

# Narrative Statement

## 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 2018/19 compared to budget and approved capital spend for the following two years.

<b>SERVICE</b>	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
Housing Investment Programme (HRA)	6,168	4,327	(1,841)
Housing Investment Programme (Affordable Housing)	8,034	9,350	1,316
Community Services	435	450	15
Commercial and Development	26,267	13,126	(13,141)
Other Departments	8,266	1,764	(6,502)
<b>Total</b>	<b>49,170</b>	<b>29,017</b>	<b>(20,153)</b>
<b>This Capital Programme was financed as follows:</b>			
Capital receipts	12,079	10,560	(1,519)
Major repairs reserve	1,055	3,354	2,299
Government grants and third party contributions	2,191	2,582	391
Revenue contribution to capital expenditure	4,985	358	(4,627)
Prudential borrowing	28,860	11,903	(16,957)
Deferred Payment	-	261	261
<b>Total</b>	<b>49,170</b>	<b>29,017</b>	<b>(20,152)</b>
<b>APPROVED CAPITAL EXPENDITURE FOR THE FOLLOWING YEARS IS:</b>			
	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	
General Fund	38,682	40,792	
Housing investment programme	19,815	12,914	
<b>Total Capital Expenditure</b>	<b>58,497</b>	<b>53,706</b>	
<b>Financed by:</b>			
Borrowing requirements	36,022	44,412	
Major repairs reserve	4,975	800	
Grants and contributions	6,985	5,568	
Capital reserves / receipts	10,515	2,926	
<b>Total</b>	<b>58,497</b>	<b>53,706</b>	

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

- £9.4m on the City Centre Opportunity Site which started in 17/18

## Narrative Statement

- £3.1m further expenditure on the completion of the housing development built at the site of the former Museum of St Albans
- £1.5m on other major schemes, including Harpenden Leisure and Cultural scheme
- The remainder was spent on a range of projects across the district, to improve access to sports facilities, parks and open spaces and play equipment

The General Fund capital budget was underspent by £19.6m, the main reasons being:

- £8.8m underspend on Harpenden Leisure and Cultural Development Scheme. This is due to the timing of the expenditure and the total scheme costs are not expected to exceed the approved budget. The budget will be re-phased.
- £4.9m underspend on Invest to Save Projects: this will be rephased.
- £2.1m underspend on City Centre Opportunity Site. This is due to the timing of the expenditure and the budget will be re-phased.
- £1.5m underspent on the purchase of contractor equipment and vehicles. This project will be re-phased.

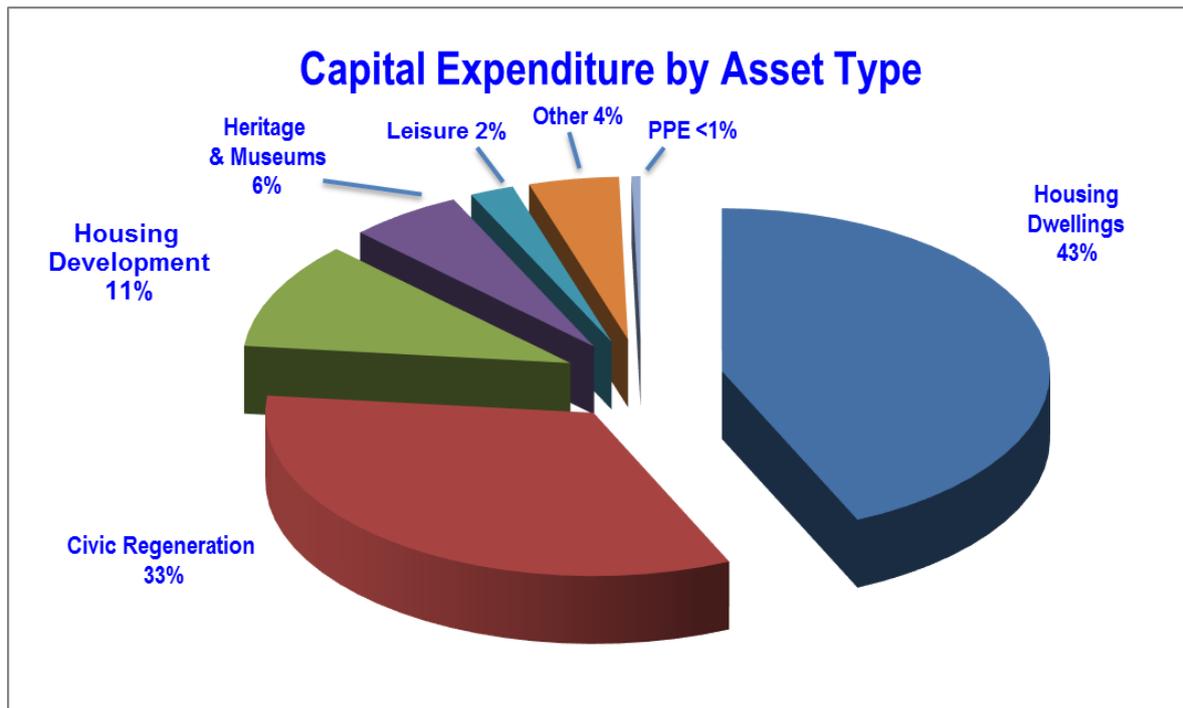
The Housing capital spend was £13.7m against a budget of £14.2m. The main areas of spend were:

- £8.7m on Affordable Homes. This included the purchase of single properties for £4.7m and the remainder on schemes including Sandridge and Batchwood garage sites.
- £3.6m spend on the housing stock on items such as bathrooms, kitchens, windows and doors; other planned improvements and reactive preventative works.
- £0.8m on planned developments including Mereden Court and Wavell House.
- £0.6m on Disabled Facilities Grants.

The Housing capital budget was underspent by £0.5m and the main reasons being:

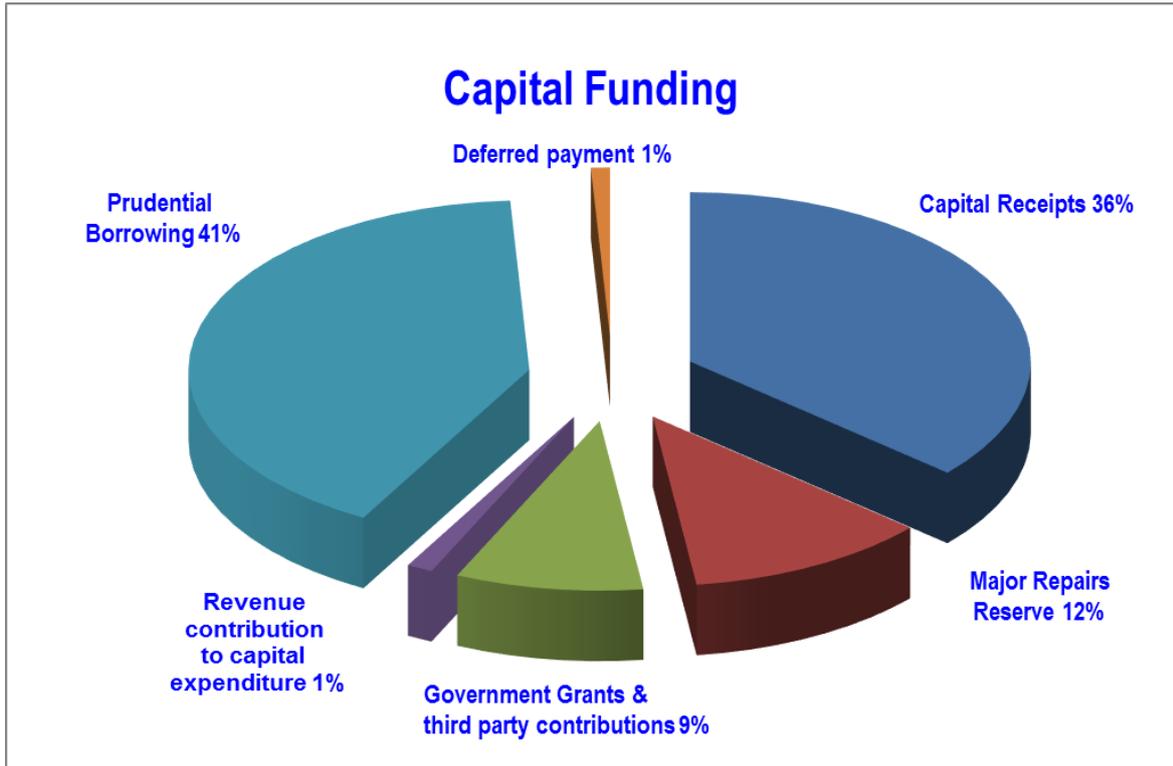
- £1m underspend on planned improvements, reactive works and enhancements to the HRA stock.
- £0.8m underspend on Wavell House due to a delay in the start of the construction phase of the project.
- £1.5m additional spend on affordable homes street purchases.

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

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## Collection Fund

The Council collects Council Tax for itself and also on behalf of a number of other public bodies. These are Hertfordshire County Council, the Police and Crime Commissioner for Hertfordshire and Town and Parish Councils. It also collects Business Rates for itself and on behalf of Hertfordshire County Council and Central Government.

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

The Collection Fund had a deficit for the year of £2.7m (2017/18 £2.0m surplus) increasing the cumulative deficit at 2017/18 of £0.911m to £3.613m. Under the Business Rates Retention Scheme introduced in 2013/14, amounts are paid to precepting bodies on estimates at the beginning of the year. Any over or under payments are accounted for in subsequent year's estimates.

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

The Council's share of the Collection Fund deficit of £3.613m is £2.057m. This will be taken into account in future years' distributions in accordance with the legislation for business rates and council tax.

	Business Rates £'000	Council Tax £'000	Total £'000
Collection Fund Balance as at 31/03/19 of which:	5,720	(2,108)	3,612
St Albans District Council (surplus)/deficit share	2,288	(231)	2,057

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

## 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 £6.6m during the year to £54.0m (2017/18: £47.4m). This is because of the impact of actuarial assumptions. The pension liability has a significant effect on the net worth of the Council. However statutory arrangements for funding the

## **Narrative Statement**

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 Triennial pension valuation took place in March 2016 and the Council's pension contributions for 2017/018 onwards have been adjusted to reflect the changes. The employer's contribution remained 18.5% with a lump sum payment of £1.422m.

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## Introduction to the Statement of Accounts

The Accounts and Audit Regulations (England) 2015 require the Council to produce a 'Statement of Accounts' each financial year. The Council's accounts for the year 2018/19 are set out from page 25 onwards. The accounts have been prepared on an International Financial Reporting Standards basis and may, by necessity, contain technical terminology. To aid the reader, the core statements are supported by explanatory notes and a glossary of terms is included from page 134 onwards.

## Core Financial Statements

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

# Narrative Statement

## Supplementary Statements

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

## Other Statements

- **Statement of Responsibilities for the Statement of Accounts** – this outlines the responsibilities of the Council and the Deputy Chief Executive (Finance and Legal) with respect to the Statement of Accounts.
- **The Auditor's Statement** – this is the independent Auditor's report to members of the Council including the Conclusion on Arrangements for Securing Economy, Efficiency and Effectiveness in the use of resources. This Statement will be included on completion of the audit in the audited, approved Statement of Accounts to be published before the 31 July 2019.
- **The Annual Governance Statement** – this gives a public assurance that the Council has proper arrangements in place to manage its affairs. It summarises the Council's responsibilities in the conduct of its business, the purpose and key elements of the system of internal control and the processes applied in maintaining, reviewing and developing the effectiveness of those controls.

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

## **Narrative Statement**

### **Accounting Policies**

The Council's Accounting Policies follow the Core Financial Statements below and there have been no changes during the year.

### **About this Statement of Accounts**

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

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

The first is the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (The Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code constitutes a "proper accounting practice" under the terms of Section 21(2) of the Local Government Act 2003.

The second is the Service Reporting Code of Practice for Local Authorities 2018/19, supported by International Financial Reporting Standards. In England and Wales, The Code constitutes a "proper accounting practice" under the terms of Section 21(2) of the Local Government Act 2003.

### **Glossary of Terms**

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

### **Further information**

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

If you would like to receive further information about these accounts, please contact us at [contactus@stalbands.gov.uk](mailto:contactus@stalbands.gov.uk), telephone 01727 866100

# Statement of Responsibilities

## The Authority's responsibilities

The Authority is required to:

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

In accordance with the Accounts and Audit Regulations, I certify that the Statement of Accounts was approved by the Audit Committee on 30<sup>th</sup> July 2019.



**Councillor J Daly**  
Chair of the Audit Committee

**Date: 30<sup>th</sup> July 2019**

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

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

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

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

## Certification of the Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at 31 March 2019 and of its expenditure and income for the year then ended.

These financial statements replace the unaudited financial statements certified by the Deputy Chief Executive & s151 Officer on 31<sup>st</sup> May 2019.



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

**Date: 30<sup>th</sup> July 2019**

## Movements in Reserves Statement

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

<b>2018/2019</b>	<b>General Fund Balance</b>	<b>Earmarked General Fund Reserves</b>	<b>Housing Revenue Account</b>	<b>Earmarked HRA Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Major Repairs Reserve</b>	<b>Capital grants Unapplied</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Council Reserves</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 31 March 2018</b>	(4,560)	(3,985)	(7,311)	(581)	(12,914)	(6,534)	(336)	(36,221)	(543,243)	(579,464)
<b>Movement in reserves during 2018/19</b>										
Total Comprehensive Income and Expenditure	4,434		(2,751)		-	-	-	1,683	15,707	17,390
Adjustments between accounting basis & funding basis under regulations (note 8)	(4,749)		5,608		6,552	(4,090)	(406)	2,915	(2,915)	-
Transfers to/from earmarked Reserves (note 9)	1,227	(1,227)	-	-	-	-	-	-	-	-
<b>Net (Increase)/Decrease in 2018/19</b>	<b>912</b>	<b>(1,227)</b>	<b>2,857</b>	<b>-</b>	<b>6,552</b>	<b>(4,090)</b>	<b>(406)</b>	<b>4,598</b>	<b>12,792</b>	<b>17,390</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>(3,648)</b>	<b>(5,212)</b>	<b>(4,454)</b>	<b>(581)</b>	<b>(6,362)</b>	<b>(10,624)</b>	<b>(742)</b>	<b>(31,623)</b>	<b>(530,451)</b>	<b>(562,074)</b>

## Movements in Reserves Statement

2017/2018	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
<b>Balance at 31 March 2017</b>	(3,041)	(4,525)	(7,283)	(581)	(16,548)	(6,140)	(993)	(39,111)	(524,412)	(563,523)
<b>Movement in reserves during 2017/18</b>										
Total Comprehensive Income and Expenditure	489		148		-	-	-	637	(16,578)	(15,941)
Adjustments between accounting basis & funding basis under regulations (note 8)	(1,468)		(176)		3,634	(394)	657	2,253	(2,253)	-
Transfers to/from earmarked Reserves (note 9)	(540)	540	-	-	-	-	-	-	-	-
<b>Net (Increase)/Decrease in 2017/18</b>	<b>(1,519)</b>	<b>540</b>	<b>(28)</b>	<b>-</b>	<b>3,634</b>	<b>(394)</b>	<b>657</b>	<b>2,890</b>	<b>(18,831)</b>	<b>(15,941)</b>
<b>Balance at 31 March 2018 carried forward</b>	<b>(4,560)</b>	<b>(3,985)</b>	<b>(7,311)</b>	<b>(581)</b>	<b>(12,914)</b>	<b>(6,534)</b>	<b>(336)</b>	<b>(36,221)</b>	<b>(543,243)</b>	<b>(579,464)</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.

# Comprehensive Income and Expenditure Statement

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

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

Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
2017/2018	2017/2018	2017/2018		2018/2019	2018/2019	2018/2019
£'000	£'000	£'000		£'000	£'000	£'000
			<b>Service Segments</b>			
2,328	(186)	2,142	Chief Executive and Policy	2,341	(177)	2,164
2,492	(815)	1,677	Finance and Legal	3,350	(798)	2,552
14,445	(7,441)	7,004	Community Services	14,247	(7,409)	6,838
4,308	(1,953)	2,355	Commercial and Development Services	6,422	(2,486)	3,936
869	(95)	774	Corporate Services	831	(134)	697
4,598	(1,830)	2,768	Planning and Building Control	4,502	(2,021)	2,481
			<b>Housing Services</b>			
34,543	(33,543)	1,000	General Fund Housing (i)	31,463	(29,897)	1,566
21,599	(28,210)	(6,611)	Housing Revenue Account (ii)	18,603	(28,215)	(9,612)
<b>85,182</b>	<b>(74,073)</b>	<b>11,109</b>	<b>Cost of Services (iii)</b>	<b>81,759</b>	<b>(71,137)</b>	<b>10,622</b>
		5,881	Other operating expenditure	note 10		5,341
		6,330	Financing and investment income and expenditure	note 11		6,173
		(22,684)	Taxation and non-specific grant income	note 12		(20,454)
		<b>636</b>	<b>(Surplus)/deficit on Provision of Services</b>			<b>1,682</b>
		(11,000)	(Surplus)/Deficit on revaluation of property, plant and equipment assets	note 23.1		11,800
		(5,578)	Actuarial (gains)/losses on pension	note 37		3,907
		<b>(16,578)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>15,707</b>
		<b>(15,942)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>17,389</b>

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

## Balance Sheet as at 31 March 2019 continued

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

31 March 2018 £'000		Note	31 March 2019 £'000
789,680	Property Plant and Equipment	13	778,165
5,899	Heritage Assets	14	6,123
7,542	Investment Properties	15	7,491
283	Intangible Assets		219
717	Long term debtors	16	563
<b>804,121</b>	<b>Long Term Assets</b>		<b>792,561</b>
1,202	Assets Held for Sale	17	9,982
59	Inventories		103
6,636	Short Term Debtors	18	8,194
10,476	Cash and Cash Equivalents	19	3,355
<b>18,373</b>	<b>Current Assets</b>		<b>21,634</b>
(8,000)	Short Term Borrowing	16	(19,000)
(13,826)	Short Term Creditors	20	(15,765)
(2,606)	Short term provisions	21	(2,169)
<b>(24,432)</b>	<b>Current Liabilities</b>		<b>(36,934)</b>
(47,406)	Pension Liability	37	(54,040)
(165,416)	Long term borrowing	16	(158,416)
(5,086)	Other Long term Liabilities and Provisions	21	(1,495)
(690)	Capital Grants Receipts in Advance	33	(1,236)
<b>(218,598)</b>	<b>Long Term Liabilities</b>		<b>(215,187)</b>
<b>579,464</b>	<b>Net Assets</b>		<b>562,074</b>
(36,222)	Usable Reserves	22	(31,623)
(543,242)	Unusable reserves	23	(530,451)
<b>(579,464)</b>	<b>Total reserves</b>		<b>(562,074)</b>



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

**Date:** 30<sup>th</sup> July 2019

## Notes to the Accounts

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

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

## 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.

2017/2018 Restated* £'000		Notes	2018/2019 £'000
(637)	<b>Net surplus or (deficit) on the provision of services</b>		(1,682)
22,843	Adjustment to net surplus or deficit on the provision of services for non-cash movements	24	25,054
(8,434)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	25	(8,010)
<b>13,772</b>	<b>Net cash flows from Operating Activities</b>		<b>15,362</b>
(11,778)	Investing Activities	26	(21,913)
(6,040)	Financing Activities	27	(570)
<b>(4,046)</b>	<b>Net increase or decrease in cash and cash equivalents</b>		<b>(7,121)</b>
14,522	Cash and cash equivalents at the beginning of the reporting period		10,476
<b>10,476</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>3,355</b>

\*2017/18 has been restated for rounding differences.

# Notes to the Accounts

## 1. Accounting Policies

### 1.1 General Policies

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end 31 March 2019. It is prepared under the going concern basis of accounting. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2018/19 and the Service Reporting Code of Practice 2018/19, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

### 1.2 Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance sheet. The exceptions to this rule are energy payments (e.g. electricity, gas, etc.) and similar quarterly payments, which are charged at the date of meter readings rather than being apportioned between financial years and rental income, where credit is taken according to rental periods. The policy is consistently applied each year and therefore does not have a material effect on any one-year's accounts.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest is receivable on investments and payable on borrowings and is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been recognised or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to the revenue for the income that might not be collected.

# Notes to the Accounts

## 1.3 Principal and Agent accounting policy

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

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

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

## 1.4 Cash and Cash Equivalents

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

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

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

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

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

## 1.6 Charges to Revenue for Non-Current Assets

# Notes to the Accounts

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

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

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

## 1.7 Employee Benefits

### 1.7a Benefits Payable During Employment

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

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

### 1.7b Termination Benefits

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

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

# Notes to the Accounts

termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

## 1.7c Post Employment Benefits

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

### *The Local Government Pension Scheme*

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

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

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

- Service Cost comprising:
  - Current service costs – increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employee worked.
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs;
  - Net interest on the net defined benefit liability, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

# Notes to the Accounts

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

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

## ***Discretionary Benefits***

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

## **1.8 Events after the Balance Sheet date**

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

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

# Notes to the Accounts

## 1.9 Financial Instruments

### 1.9a Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure Line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. The effective rate of interest is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For all of the Council's borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. The full implementation of IFRS 9 – Financial Instruments in 2018/19 has meant no change from IAS 39.

### 1.9b Financial Assets

In contrast to Financial Liabilities, the full implementation of IFRS 9 in 2018/19 meant Financial Assets had to be reclassified under a new system. This meant consulting the Council's Business Model to group similar assets and classify them. All the debtor categories have now been classified as being measured at amortised cost, as they are held on a "hold to collect" basis and would not be sold on an open market so have no market value. This also applies to Cash which is the Council's only other type of Financial asset.

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

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

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

# Notes to the Accounts

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

The Impairment Loss Allowance movement calculation for Trade Debtors during 2018/19 can be seen in the Credit Risk section of Note 38.

## 1.10 Government Grants and Contributions

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

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

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

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

## 1.11 Heritage Assets

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

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

# Notes to the Accounts

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

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

## **1.11a Land and Buildings**

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

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

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

## **1.11b Artefacts**

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

## **1.11c Sculptures and War Memorials**

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

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

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

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

## **1.11e Ancient Walls and Ruins**

# Notes to the Accounts

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

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

## 1.12 Investment Property

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

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

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

## 1.13 Jointly Controlled Operations and Jointly Controlled Assets

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

## 1.14 Leases

## Notes to the Accounts

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.

### **1.14a The Council as Lessee**

#### ***Operating Leases***

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

### **1.14b The Council as Lessor**

#### ***Operating Leases***

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

### **1.15 Overheads and Support Services**

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

### **1.16 Property, Plant and Equipment**

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

# Notes to the Accounts

## 1.16a Recognition

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

## 1.16b Measurement

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

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

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

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

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

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

## Notes to the Accounts

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

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

### 1.16c *Impairment*

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

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

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

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

### 1.16d *Depreciation*

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

Depreciation is calculated on the following bases:

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

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

# Notes to the Accounts

Depreciation is not charged in the year of acquisition.

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

## **1.16e Disposals and Non-Current Assets Held for Sale**

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

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

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

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

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are

# Notes to the Accounts

appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## 1.17 Provisions

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

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

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

## 1.18 Contingent Liabilities

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

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

## 1.19 Reserves

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

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

# Notes to the Accounts

## 1.20 Revenue Expenditure Funded from Capital under Statute

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

## 1.21 Value Added Tax (VAT)

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

## Notes to the Accounts

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

Paragraph 3.3.2.13 of the 2018/19 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

The standards that may be relevant for additional disclosures that will be required in the 2018/2019 and 2019/20 financial statements in respect of accounting changes that are introduced in the 2019/20 Code (ie that are relevant to the requirements of paragraph 3.3.4.3) are:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation
- IFRS 16 Leases means lessees must recognise most leases as right-of-use assets with corresponding lease liabilities on the Balance sheet. CIFPA have deferred implementation of IFRS16 for local government to 1 April 2020. The Council's leases are short term and low value, so there will not be a material effect on the accounts when it is introduced.

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

### 3. Critical Judgements in applying Accounting Policies

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

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

# Notes to the Accounts

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

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

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

### Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The Council has a programme of capital work of around £12m per year on the housing stock, and undertakes major repairs and maintenance which will be able to sustain assumptions made regarding the useful lives assigned to assets.

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

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

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

### Pensions liability

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

The effects on the net pension's liability of changes in individual assumptions cannot be precisely calculated. The assumptions interact in complex ways. During 2018/19, the Council's actuaries advised that the net pensions liability had increased by £6.6m to £54.0m (2017/18 £47.4m).

# Notes to the Accounts

## Business rates appeals provision

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2018/19 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses may have been overcharged up to 31 March 2019. It is unknown how many of the outstanding appeals will be successful, though estimation techniques have been applied to the outstanding appeals using historic success rate data and the latest Valuation Office (VAO) ratings list of appeals. In addition an amount for appeals which have not yet been lodged relating to the 2018 revaluation has been estimated. The total provision for appeals is £8.403m (2017/18 £8.159m) and the Council's share held in the Balance Sheet is £3.361m (2017/18 £3.263m). The increase in total provision from last year is £0.245m.

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

## Sundry Debtor Arrears

At 31 March 2019, the Council had a sundry debtor balance of £3.374m (2017/18: £2.644m). A review of significant balances using historic write off rates suggested that a 17% (2017/18: 24%) impairment allowance for doubtful debts of £0.585m (2017/18: £0.634m) was appropriate.

If collection rates were to deteriorate, an increase in the impairment allowance for doubtful debts would be required. To provide in full for sundry debtors more than two months overdue would require an additional £0.996m to be set aside as a provision.

## Fair Value measurement

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

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

# Notes to the Accounts

## 5. Material items of income and expenditure

### 5.1 Pension Fund Actuarial Change

The Pension Fund Actuary has reported an actuarial loss for 2018/19 of £6.6m (2017/18 £3.3m gain), contributing to the pension fund deficit of £54.0m. This is reported as a loss on the Comprehensive Income and Expenditure Statement, and subsequently adjusted (in accordance with proper practice) via the Movement in Reserves Statement to ensure it has no General Fund Balance implications.

## 6. Events after the Balance Sheet date

The Statement of Accounts was certified for issue by the Deputy Chief Executive (Finance and Legal) on 31 May 2019. 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 2019, 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 30<sup>th</sup> July 2019.

# Notes to the Accounts

## 7. Expenditure and Funding Analysis

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

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

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

## Notes to the Accounts

Expenditure and Funding Analysis 2017/18 restated*	Net Expenditure Chargeable to the General Fund Balance	Net Expenditure Chargeable to the HRA Balance	Adjustments relating to internal management reporting	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Chief Executive and Policy	2,019	-	-	(123)	2,142
Legal and Finance	3,215	-	1,680	(143)	1,677
Community Services	5,366	-	(71)	(1,713)	7,150
Commercial & Development	593	-	279	(1,895)	2,209
Corporate Services	486	-	-	(288)	774
Planning & Building Control	2,580	-	-	(188)	2,768
Housing General Fund	389	-	-	(611)	1,000
Housing Revenue Account	-	(5,132)	5,066	(3,587)	(6,611)
<b>Net Cost of Services</b>	<b>14,647</b>	<b>(5,132)</b>	<b>6,954</b>	<b>(8,548)</b>	<b>11,109</b>
Other Income and Expenditure	2,594	(6,892)	(5,045)	(5,133)	5,881
Financing & Investment Income and Expenditure	(21)	11,997	(1,909)	7,554	6,330
Taxation and other non-specific grant income and expenditure	(18,199)	-	-	4,485	(22,684)
<b>Deficit/(surplus) on Provision of Services</b>	<b>(980)</b>	<b>(28)</b>	<b>-</b>	<b>(1,643)</b>	<b>637</b>
	<b>General Fund</b>	<b>HRA</b>	<b>Total</b>		
<b>Opening General Fund and HRA Balances</b>	(7,566)	(7,864)	(15,430)		
Less/plus surplus or deficit on General Fund and HRA Balance in year	(980)	(28)	(1,008)		
<b>Closing General Fund and HRA Balances at 31 March</b>	<b>(8,546)</b>	<b>(7,892)</b>	<b>(16,438)</b>		

\*Restated for restructure between Community Services and Commercial and Development Departments

# Notes to the Accounts

## 7.a Adjustments between the Funding and Accounting Basis

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

## Notes to the Accounts

2017/18				
Adjustments from General Fund and HRA to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Total Adjustments
	£000's	£000's	£000's	£000's
The Chief Executive	(33)	(90)	-	(123)
Deputy Chief Executive-Finance	(13)	(130)	-	(143)
Legal, Democratic & Regulatory Services	-	-	-	-
Head of Community Services	(1,944)	(167)	-	(2,111)
Head Commercial & Development	(1,418)	(79)	-	(1,497)
Head of Corporate Services	(174)	(114)	-	(288)
Head of Planning & Building Control	(14)	(174)	-	(188)
Head of Housing	(554)	(57)	-	(611)
Head of Housing (HRA)	(3,444)	(143)	-	(3,587)
<b>Net Cost of Services adjustments</b>	<b>(7,594)</b>	<b>(954)</b>	<b>-</b>	<b>(8,548)</b>
Other Income and Expenditure	(5,133)	-	-	(5,133)
Financing & Investment Income and Expenditure	8,852	(1,298)	-	7,554
Taxation and other non-specific grant income and expenditure	3,526	-	959	4,485
<b>Difference between General Fund and HRA surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(350)</b>	<b>(2,252)</b>	<b>959</b>	<b>(1,643)</b>

### Explanation of adjustments

#### i. Adjustments for Capital Purposes

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

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

# Notes to the Accounts

## ii. Net Change for the Pension Adjustments

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

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

## iii. Other Differences

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

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

## 7.b Adjustments Relating to Internal Management Reporting

Information presented to management is in a format to enable a quick and easy assessment of performance against the approved budget. There are a number of items that are reported to management as part of their service income and expenditure that are not included in Service Expenditure in the Comprehensive Income and Expenditure Statement (as required by generally accepted accounting practice). These are interest, Minimum Revenue Provision (MRP) and Revenue Contribution to Capital Outlay (RCCO). The adjustments for 2018/19, which enable reconciliation of the Net Expenditure Chargeable to the General Fund and HRA Balances for Service Headings to the outturn reports included in the narrative, are shown below.

## Notes to the Accounts

Adjustments Relating to Internal Management Reporting	Interest	MRP	RCCO	Trading Accounts	Total
	£'000	£'000	£'000	£'000	£'000
<b>2018/19</b>					
Chief Executive and Policy	-	-	11	-	11
Legal and Finance	33	1,374	-	-	1,407
Community Services	-	-	17	180	197
Commercial & Development	-	-	330	(291)	39
Corporate Services	-	-	-	-	-
Planning & Building Control	-	-	-	-	-
Housing General Fund	-	-	-	-	-
<b>GF Total</b>	<b>33</b>	<b>1,374</b>	<b>358</b>	<b>(111)</b>	<b>1,654</b>
Housing Revenue Account	<b>4,961</b>	-	-	-	<b>4,961</b>

Adjustments Relating to Internal Management Reporting	Interest	MRP	RCCO	Trading Accounts	Total
	£'000	£'000	£'000	£'000	£'000
<b>2017/18</b>					
The Chief Executive	-	-	-	-	-
Deputy Chief Executive-Finance	(21)	1,701	-	-	1,680
Legal, Democratic & Regulatory Services	-	-	-	-	-
Head of Community Services	-	-	-	(71)	(71)
Head Commercial & Development	-	-	279	-	279
Head of Corporate Services	-	-	-	-	-
Head of Planning/Build Control	-	-	-	-	-
Head of Housing	-	-	-	-	-
<b>GF Total</b>	<b>(21)</b>	<b>1,701</b>	<b>279</b>	<b>(71)</b>	<b>1,888</b>
Head of Housing (HRA)	<b>5,066</b>	-	-	-	<b>5,066</b>

# Notes to the Accounts

## 7.c Segmental Income

2017/18 £'000		2018/19 £'000
	<b>Services</b>	
(1,276)	The Chief Executive	(1,158)
(12,097)	Head of Community Services	(10,459)
(2,056)	Head Commercial & Development	(4,121)
(3,413)	Head of Corporate Services	(3,862)
(3,421)	Deputy Chief Executive-Finance	(3,423)
(33,686)	Head of Housing	(30,045)
(28,211)	Head of Housing (HRA)	(28,215)
(2,730)	Head of Planning & Building Control	(2,947)
<b>(86,890)</b>	<b>Total Income analysed on a segmental basis</b>	<b>(84,230)</b>
(24,200)	Non-segmental	(22,052)
<b>(111,090)</b>	<b>Total Income</b>	<b>(106,282)</b>

# Notes to the Accounts

## 7.d Expenditure and Income analysed by Nature

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

2017/18		2018/19
£'000		£'000
	<b>Expenditure/Income</b>	
	<b>Expenditure</b>	
17,799	Employee benefits expenses	18,519
54,622	Other Service Expenses	51,912
12,820	Support Service recharge expenditure	13,267
14,057	Revaluation gains, depreciation, amortisation and impairment	11,983
5,081	Interest payments	5,004
1,290	Pension adjustment	1,845
2,573	Precepts and levies	2,652
1,138	Payments to Housing Capital Receipts Pool	934
2,348	Gain or Loss on Disposal of Fixed Assets and derecognition of replaced asset components	1,848
<b>111,727</b>	<b>Total expenditure</b>	<b>107,964</b>
	<b>Income</b>	
(40,279)	Fees, charges & other service income	(40,708)
(178)	Other capital receipts and income	(311)
(12,836)	Support Service recharge income	(13,112)
(106)	Interest and investment income	(117)
(13,105)	Income from council tax	(13,443)
(2,017)	Income from business rates	(1,431)
(42,569)	Government grants and other contributions	(37,160)
<b>(111,090)</b>	<b>Total Income</b>	<b>(106,282)</b>
<b>637</b>	<b>(Gain) or Loss on the Provision of Services</b>	<b>1,682</b>

# Notes to the Accounts

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

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

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

### **General Fund Balance**

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

### **Housing Revenue Account Balance**

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

### **Capital Receipts Reserve**

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

### **Major Repairs Reserve**

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

### **Capital Grants Unapplied**

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

# Notes to the Accounts

Adjustments between accounting basis and funding basis under regulations	Usable reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
<b>2018/2019</b>						
<b>Adjustments to the Revenue Resources</b>						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension Costs (transferred to/(from) the Pensions Reserve)	(2,403)	(324)	-	-	-	2,727
Council Tax and NDR (transfers to/(from) the Collection Fund Adjustment Account)	(716)	-	-	-	-	716
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(3,325)	(13,530)	-	-	(520)	17,375
						-
<b>Total Adjustments to Revenue Resources</b>	<b>(6,444)</b>	<b>(13,854)</b>	<b>-</b>	<b>-</b>	<b>(520)</b>	<b>20,818</b>
						-
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sales proceeds from revenue to the Capital Receipts Reserve	-	3,745	(3,745)	-	-	-
Administration costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(16)	16	-	-	-
Payments to the government of housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(934)	-	934	-	-	-
Posting of HRA resources from revenue to Major Repairs Reserve	-	7,444	-	(7,444)	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1,374	8,000	-	-	-	(9,374)
Other capital receipts taken to the CI&ES	898	288	(1,186)	-	-	-
GF Asset Disposal NBV (transfer to Capital Adjustment Account)	-	-	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	358	-	-	-	-	(358)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>1,696</b>	<b>19,461</b>	<b>(3,981)</b>	<b>(7,444)</b>	<b>-</b>	<b>(9,732)</b>
<b>Adjustments to Capital Resources</b>						
Use of Capital Receipts Reserve to finance capital expenditure	-	-	10,560	-	-	(10,560)
Use of Major Repairs Reserve to finance capital expenditure	-	-	-	3,354	-	(3,354)
Application of capital grants to finance capital expenditure	-	-	-	-	114	(114)
Cash payments in relation to deferred capital receipts	-	-	(27)	-	-	27
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>10,533</b>	<b>3,354</b>	<b>114</b>	<b>(14,001)</b>
<b>Total Adjustments</b>	<b>(4,748)</b>	<b>5,607</b>	<b>6,552</b>	<b>(4,090)</b>	<b>(406)</b>	<b>(2,915)</b>

# Notes to the Accounts

Adjustments between accounting basis and funding basis under regulations	Usable reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
<b>2017/2018</b>						
<b>Adjustments to the Revenue Resources</b>						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension Costs (transferred to/(from) the Pensions Reserve)	(1,918)	(334)	-	-	-	2,252
Council Tax and NDR (transfers to/(from) the Collection Fund Adjustment Account)	959	-	-	-	-	(959)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(1,460)	(17,282)	-	-	(24)	18,766
<b>Total Adjustments to Revenue Resources</b>	<b>(2,419)</b>	<b>(17,616)</b>	<b>-</b>	<b>-</b>	<b>(24)</b>	<b>20,059</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sales proceeds from revenue to the Capital Receipts Reserve	-	4,729	(4,729)	-	-	-
Administration costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(26)	26	-	-	-
Payments to the government of housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1,138)	-	1,138	-	-	-
Posting of HRA resources from revenue to Major Repairs Reserve	-	5,668	-	(5,668)	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1,701	7,000	-	-	-	(8,701)
Other capital receipts taken to the CI&ES	109	69	(178)	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	279	-	-	-	-	(279)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>951</b>	<b>17,440</b>	<b>(3,743)</b>	<b>(5,668)</b>	<b>-</b>	<b>(8,980)</b>
<b>Adjustments to Capital Resources</b>						
Use of Capital Receipts Reserve to finance capital expenditure	-	-	7,402	-	-	(7,402)
Use of Major Repairs Reserve to finance capital expenditure	-	-	-	5,274	-	(5,274)
Application of capital grants to finance capital expenditure	-	-	-	-	681	(681)
Cash payments in relation to deferred capital receipts	-	-	(25)	-	-	25
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>7,377</b>	<b>5,274</b>	<b>681</b>	<b>(13,332)</b>
<b>Total Adjustments</b>	<b>(1,468)</b>	<b>(176)</b>	<b>3,634</b>	<b>(394)</b>	<b>657</b>	<b>(2,253)</b>

# Notes to the Accounts

## 9. Transfers To/From Earmarked Reserves

This note sets out the amounts set aside from the General Fund and Housing Revenue Account balances to earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and Housing Revenue Account Expenditure in 2018/19.

	Balance at 31 March 2017 £'000	Transfers out 2017/18 £'000	Transfers In 2017/18 £'000	Balance at 31 March 2018 £'000	Transfers out 2018/19 £'000	Transfers In 2018/19 £'000	Balance at 31 March 2019 £'000
<b>General Fund</b>							
Planning appeals reserve (1)	737	(81)	-	656	(86)	-	570
Collection Fund Equalisation Account (2)	2,497	(1,079)	-	1,418	-	655	2,073
Westminster Lodge capital reserve	288	-	73	361	(361)	-	-
Leisure Service Dev't Account	120	-	57	177	-	83	260
Building maintenance reserve	88	-	-	88	(53)	201	236
City Neighbourhoods Committee	119	-	65	184	-	71	255
Building control account	17	(17)	-	-	-	-	-
Syrian Refugees	25	-	165	190	-	84	274
Flexible Homelessness Support Grant (FHSG)	-	-	209	209	(13)	-	196
Refuse collection reserve	-	-	100	100	-	50	150
Transformation Fund	-	-	-	-	(137)	500	363
Other Reserves Under £100k	634	(90)	58	602	(118)	351	835
General Fund sub-total	4,525	(1,267)	727	3,985	(768)	1,995	5,212
<b>HRA</b>							
<b>Revenue earmarked reserve</b>	-	-	-	-	-	-	-
Capital expenditure reserve	581	-	-	581	-	-	581
HRA sub-total	581	-	-	581	-	-	581
<b>Total</b>	<b>5,106</b>	<b>(1,267)</b>	<b>727</b>	<b>4,566</b>	<b>(768)</b>	<b>1,995</b>	<b>5,793</b>

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

# Notes to the Accounts

## 10. Other Operating Expenditure

2017/2018 £'000		2018/2019 £'000
2,573	Parish Council Precepts	2,652
1,138	Payments to the Government Housing Capital Receipts Pool	934
(2,423)	(Gains)/losses on the disposal of non-current assets	(1,203)
4,771	Write-off of replaced asset components *	3,050
-	- Revaluation of Assets held for sale	219
(178)	Other Capital receipts and income	(311)
<b>5,881</b>		<b>5,341</b>

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

## 11. Financing and Investment Income and Expenditure

2017/2018 Restated* £'000		2018/2019 £'000
5,080	Interest payable and similar charges	5,004
1,280	Net interest on the net defined benefit liability	1,251
(105)	Interest receivable and similar income	(114)
90	Changes in fair value of investment properties	51
5	Impairments to financial assets incl reversals	79
(15)	(Surplus)/deficit from trading operations not included in Net Cost of Services	(98)
<b>6,335</b>		<b>6,173</b>

\*Restated for impairments to financial assets previously shown against department costs.

# Notes to the Accounts

## 12. Taxation and Non-Specific Grant Income

2017/2018 £'000		2018/2019 £'000
	<b>Council Tax</b>	
(12,970)	Council Tax Income	(13,301)
(136)	Transfer from the Collection Fund	(142)
<b>(13,106)</b>	<b>Council Tax net</b>	<b>(13,443)</b>
	<b>Business Rates</b>	
(23,077)	Share of Business Rate income	(23,087)
21,595	Tariff paid to central government	22,454
(1,072)	Council's share of Business Rates deficit	864
537	Safety net payment due to/(from) central government	(1,662)
<b>(2,017)</b>	<b>Business Rates net income</b>	<b>(1,431)</b>
	<b>Non-specific Grants</b>	
(324)	Revenue support grant	-
(938)	Small Business Rate relief	(1,114)
(2,730)	New Homes Bonus	(1,353)
0	EU Exit Funding	(17)
(3,569)	Capital grants and contributions	(3,096)
<b>(7,561)</b>	<b>Non-specific Grants sub-total</b>	<b>(5,580)</b>
<b>(22,684)</b>	<b>Total</b>	<b>(20,454)</b>

# Notes to the Accounts

## 13. Property, Plant and Equipment

### Movement on Balances

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

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

# Notes to the Accounts

<b>PPE Movements 2017/18</b>	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Furniture &amp; Equipment £'000</b>	<b>Infrastructure £'000</b>	<b>Asset Under Construction £'000</b>	<b>Property, Plant &amp; Equipment Total £'000</b>
<b>Cost or Valuation</b>						
At 1 April 2017	570,023	199,131	15,409	1,848	7,527	793,938
Transfers	332	-	-	-	-	332
Additions	4,615	236	466	(20)	20,932	26,229
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(924)	3,893	-	-	-	2,969
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,955)	15	-	-	-	(2,940)
Write off - disposals	(2,059)	-	(10)	-	-	(2,069)
Write off - replaced components	(4,613)	(158)	-	-	-	(4,771)
Assets reclassified (to)/from	-	-	-	-	-	-
Assets reclassified (to)/from assets held for sale	(904)	-	-	-	(298)	(1,202)
Impairment (losses)/reversals recognised in the surplus/deficit on the Provision of Services	-	-	-	-	-	-
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-	-
<b>At 31 March 2018</b>	<b>563,515</b>	<b>203,117</b>	<b>15,865</b>	<b>1,828</b>	<b>28,161</b>	<b>812,486</b>
<b>Accumulated Depreciation and Impairment</b>						
At 1 April 2017	(7,181)	(4,575)	(7,051)	(967)	-	(19,774)
Transfers	-	-	-	-	-	-
Depreciation charge	(7,244)	(2,259)	(1,554)	(98)	-	(11,155)
Depreciation written out to the Revaluation Reserve	7,156	685	-	-	-	7,841
Depreciation written out to the Surplus/(Deficit) on the Provision of Services	39	206	-	-	-	245
Write off - disposals	27	-	10	-	-	37
Impairment (losses)/reversals recognised in the Surplus/(Deficit) on the Provision of Services	-	-	-	-	-	-
<b>At 31 March 2018</b>	<b>(7,203)</b>	<b>(5,943)</b>	<b>(8,595)</b>	<b>(1,065)</b>	<b>-</b>	<b>(22,806)</b>
<b>Net Book Value</b>						
<b>At 31 March 2017</b>	<b>562,842</b>	<b>194,556</b>	<b>8,358</b>	<b>881</b>	<b>7,527</b>	<b>774,164</b>
<b>At 31 March 2018</b>	<b>556,312</b>	<b>197,174</b>	<b>7,270</b>	<b>763</b>	<b>28,161</b>	<b>789,680</b>

# Notes to the Accounts

## Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation. HRA dwellings are classified into type and size of building. The components were reviewed and updated during 2014/15, they remained unchanged for 2018/19.

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

## Capital Commitments

As at 31 March 2019, the Council has entered into a number of contracts for the construction and enhancement of Property, Plant and Equipment at a cost of £4.9m. Similar commitments as at 31 March 2018 were £8.3m.

## Revaluations

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

The significant assumptions in estimating the fair values are:

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

## Notes to the Accounts

The Code prescribes that the classes of Property, Plant and Equipment shown in the following table are revalued at least once every five years. The table shows the carrying value of each class of asset in the accounts by year of valuation. In accordance with the Council's policy, depreciated historic cost is used as a proxy for fair value for Vehicles and Plant on the grounds of materiality. In view of the materiality to the accounts and material changes in value from year to year, council dwellings are revalued annually. Assets Held for Sale (AHfS) until sold remain SADC owned council Dwellings or Other Land and Buildings. Accordingly, we consider it useful to include HRA AHfS of £0.6m and GF AHfS of £9.3m in the table below according to their last dates of revaluation.

Year of valuation of value in accounts	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles and Plant £'000	Total £'000
Valued at historical Cost	-	-	6,630	6,630
Valued at current value in:				
2014/15	-	9,157	-	9,157
2015/16	-	130,420	-	130,420
2016/17	-	25,759	-	25,759
2017/18	-	10,139	-	10,139
2018/19	545,254	40,812	-	586,066
<b>Total</b>	<b>545,254</b>	<b>216,287</b>	<b>6,630</b>	<b>768,171</b>

### 14. Heritage Assets

31 March 2018 £'000	Heritage Assets	31 March 2019 £'000
4,416	Exhibits	4,586
345	Silver	355
144	Civic Regalia	159
548	Cups and Trophies	564
37	Sculptures	37
409	War Memorials	422
<b>5,899</b>	<b>Carrying Value</b>	<b>6,123</b>

# Notes to the Accounts

## 15. Investment Properties

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

2017/2018 £'000		2018/2019 £'000
(559)	Rental income from investment property	(589)
76	Direct operating expenses arising from investment property	76
<b>(483)</b>	<b>Net (gain)/loss</b>	<b>(513)</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 remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or to undertake repairs, maintenance or enhancement.

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

2017/18 £'000		2018/19 £'000
7,632	Balance at start of year:	7,542
-	- Reclassification	-
(90)	Revaluation	(51)
<b>7,542</b>	<b>Balance at end of the year</b>	<b>7,491</b>

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

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

## Notes to the Accounts

2017/18 Recurring fair value measurements using:	Quoted Prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31st March 2018 £000
Office Units	-	655	-	655
Retail Units	-	4,261	-	4,261
Recreational	-	2,626	-	2,626
<b>Total</b>	-	<b>7,542</b>	-	<b>7,542</b>

Investment Properties are valued at fair value as at 31 March 2019. Analysis of the relevant valuation techniques classifies these assets as level 2 of the IFRS 13 Fair Value calculation.

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

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

Paragraph 28 of IFRS 13 states that the highest and best use of a non-financial asset takes into account the use of the asset that is physically possible, legally permissible and financially feasible. At the reporting date, one recreational property (Batchwood Night Club) could achieve greater returns if converted to residential. The property is subject to a lease with 10 years remaining and upon review the Council does not consider it legally and financially sound to terminate the lease before expiry.

# Notes to the Accounts

## 16. Financial Instruments

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

### Categories of Financial Instruments

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

	Long-Term		Current	
	At 31 March 2019 £'000	At 31 March 2018 *restated £'000	At 31 March 2019 £'000	At 31 March 2018 *restated £'000
<b>Investments</b>				
Cash and Cash Equivalents at amortised cost	-	-	3,352	10,473
<b>Total investments</b>	-	-	<b>3,352</b>	<b>10,473</b>
<b>Debtors</b>				
Financial assets at amortised cost	563	717	4,735	3,797
Impairment Loss Allowance	-	-	(760)	(728)
<b>Borrowings</b>				
Financial liabilities at amortised	(158,416)	(165,416)	(19,000)	(8,000)
<b>Creditors</b>				
Financial liabilities carried at contract amounts	(304)	(4,429)	(11,089)	(6,259)

\*Long-term Financial liabilities carried at contract amounts for 31 March 2018 have been restated from (£0.917m) to (£4.429m). Current Financial liabilities carried at contract amounts have been restated from (£6.267m) to (£6.259m). The restatement is required due to misstatement of items in this note in the prior year accounts, including the exclusion of £4.202m in long-term creditors relating to the deferred payment for the purchase of the police station. The Current Debtors figure in this note have also changed from £5.387m to £3.797m. This is due to misstatement in 2017/18 of £0.408m due to inclusion of Council Tax debtors. This has resulted in a change of (£1.198m) and the inclusion of a Loss Allowance figure of (£0.728m). There is no overall impact on the authority.

## Notes to the Accounts

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

Financial Liabilities: measured at amortised cost	Financial Assets: loans and receivables	2017/2018 Total		Financial Liabilities: measured at amortised cost	Financial Assets: loans and receivables	2018/2019 Total
£'000	£'000	£'000		£'000	£'000	£'000
5,080	-	5,080	Total interest expense in the Surplus or Deficit on the Provision of Services	5,004	-	5,004
-	(105)	(105)	Total interest income in the Surplus or Deficit on the Provision of Services	-	(114)	(114)
5,080	(105)	4,975	<b>Net (gain)/loss for the year in Surplus or Deficit on the Provision of Services</b>	5,004	(114)	4,890

### Fair Value of Assets and Liabilities

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

- Estimated ranges of interest rates at 31 March 2019 of 1.48% to 2.22% for loans from the Public Works Loan Board (PLWB) based on new lending rates for equivalent loans at that date.
- No early repayment or impairment is recognised.

## Notes to the Accounts

- 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:

### Financial Assets

31 March 2018			31 March 2019	
Carrying amount	Fair Value		Carrying amount	Fair Value
£'000	£'000		£'000	£'000
10,473	10,473	Cash	3,355	3,355

### Financial Liabilities

31 March 2018			31 March 2019	
Carrying amount	Fair Value		Carrying amount	Fair Value
£'000	£'000		£'000	£'000
173,416	196,837	Public Works Loan Board loans	165,416	179,573
-	-	Other Local Authorities	12,000	12,001

The fair value of liabilities is higher than the carrying amount because the Council's portfolio of loans is made up of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to the PWLB above current market rates. However, we expect interest rates to rise over the remaining life of the loans and if they do, the loans' fair value will decrease by their maturity point, meaning that the notional loss shown here will not be realised.

## Notes to the Accounts

### 17. Assets Held for Sale

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

2017/18 £'000		2018/19 £'000
606	<b>Balance at start of year</b>	1,202
(274)	Assets sold in year	(1,509)
(332)	Assets reclassified out as unsold	(220)
	<b>Assets newly classified as held for sale:</b>	
1,202	Property, Plant & Equipment	10,509
1,202	<b>Balance at Year End</b>	9,982

Assets Held for Sale are valued at Fair Value as at 31 March 2019. Analysis of the relevant valuation techniques classifies these assets as Level 2 (see Note 15).

## Notes to the Accounts

### 18. Short Term Debtors

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

At 31 March 2018 £'000		At 31 March 2019 £'000
1,876	Central Government Bodies	1,813
24	Other Local Authorities	20
	<b>Other entities and Individuals:</b>	
1,222	Housing Rents arrears	1,324
(479)	Less Impairment Allowance	(508)
<b>743</b>	<b>Housing arrears net</b>	<b>816</b>
1,399	Council Tax and Business Rates	1,853
(764)	Less share of impairment allowances	(861)
<b>635</b>	<b>Council Tax and Business Rates net</b>	<b>992</b>
602	Rent allowances and rebates	864
495	Leaseholder rent arrears	422
360	Payments in advance	571
2,651	Other miscellaneous debtors	3,322
(750)	Less Impairment Allowance	(626)
<b>3,358</b>	<b>Other net</b>	<b>4,553</b>
<b>6,636</b>	<b>Total</b>	<b>8,194</b>

### 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 2018 £'000		At 31 March 2019 £'000
3	Cash held by the Council	3
959	Bank Current Accounts	867
9,514	Short-term deposits	2,485
<b>10,476</b>	<b>Total Cash and Cash equivalents</b>	<b>3,355</b>

# Notes to the Accounts

## 20. Short Term Creditors

At 31 March 2018 *Restated £'000		At 31 March 2019 £'000
5,520	Collection Fund	2,236
5,794	Trade Creditors	6,055
1,122	Other Creditors	6,017
1,390	Receipts in advance	1,457
<b>13,826</b>	<b>Total</b>	<b>15,765</b>

The 31<sup>st</sup> March 2018 comparator has been restated for changes in categories.

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

### 21.1 Long Term Liabilities

The Council holds deposits for commercial premises. The long term portion of the deposits amounts to £229k (2017/18 £227k) and relates to leases expiring between 2 and 17 years from the Balance Sheet Date. The remaining £75k relates to One Public Estate funding the Council received this year which is repayable in 5 years' time, so it has been classified as a Long Term liability.

In 2017/18 there was a long term liability with Herts Police. It related to the former police station which was purchased as part of the City Centre Development Project with payment deferred by up to 10 years as Herts Police agreed to a long term strategy. The consideration of £4.5m had been discounted to a current cash value with notional interest of 0.692% charged per annum. The value at 31<sup>st</sup> March 2018 was £4.202m.

However the contract allowed for a cash demand notice to be service at any time, requiring full or partial payment within 6 months. On 10<sup>th</sup> December 2018 the Legal Department received a letter from the Herts Police serving a cash demand notice. The money is due 6 months from the date of receipt, this has resulted in the change of classification from long term liability to short term creditor in 2018/19.

### 21.2 Provisions

Under the Business Rates Retention Scheme the Council is liable for its share of any business rates that are not collected. All business premises can appeal their valuation, set by the

## Notes to the Accounts

Valuation Office, which is used for setting the level of rates payable. Until the appeal is heard and decided a provision is estimated to cover the possibility of successful appeals. Changes to the provision are charged to the Collection Fund. The following table shows the movement in the Council's 40% share of the provision.

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

<b>Provisions: Business Rate Appeals</b>	
	<b>£'000</b>
<b>Balance at 1 April 2017</b>	<b>3,888</b>
Additional provisions made	100
Amounts used	(725)
<b>Balance at 31 March 2018</b>	<b>3,263</b>
<b>Made up of:</b>	
Long Term provisions	657
Short Term provisions	2,606

## 22. Usable Reserves

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

# Notes to the Accounts

## 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.

2017/18 £'000		2018/19 £'000
(397,461)	Revaluation Reserve	(380,694)
(194,215)	Capital Adjustment Account	(205,565)
47,406	Pensions Reserve	54,040
(100)	Deferred Capital Receipts Reserve	(74)
1,128	Collection Fund Adjustment Account	1,842
<b>(543,242)</b>	<b>Total Unusable Reserves</b>	<b>(530,451)</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 includes adjustments for PPE, Investment Properties and Heritage Assets.

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

2017/18 £'000		2018/19 £'000
<b>(391,051)</b>	<b>Balance at 1 April</b>	<b>(397,461)</b>
(11,000)	Revaluation (gain)/loss of assets	11,800
-	- Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-
<b>(11,000)</b>	<b>(Surplus)/deficit on revaluation of non-current assets not posted to the Surplus or deficit on the Provision of Services</b>	<b>11,800</b>
3,543	Difference between fair value depreciation and historical cost depreciation transferred to the Capital Adjustment Account	3,761
1,047	Accumulated gains on assets sold or scrapped	1,206
<b>4,590</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>4,967</b>
<b>(397,461)</b>	<b>Balance at 31 March</b>	<b>(380,694)</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 in line with the depreciation, impairment losses and amortisations charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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

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

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

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

2017/18		2018/19
£'000		£'000
17,678	<b>Net written out amount of the cost of non-current assets consumed in the year (per the Capital Adjustment Account)</b>	14,877
3,543	Add back amount transferred to the Revaluation Reserve	3,761
1,047	Add back accumulated gains on assets sold or scrapped	1,202
(3,502)	Less Capital Grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,467)
18,766	<b>Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (per note 8)</b>	17,373

## Notes to the Accounts

2017/18	Capital Adjustment Account	2018/19
£'000		£'000
(186,053)	<b>Balance as at 1 April</b>	(194,215)
	<i><b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b></i>	
11,154	Charges for depreciation and impairment of non current assets	10,978
90	Movements in the market value of Investment Properties debited or credited to the comprehensive Income and Expenditure Statement	51
2,696	Revaluation losses on Property, Plant and Equipment	957
116	Amortisation of Intangibles	116
1,135	Revenue expenditure funded from capital under statute	1,246
7,077	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	6,492
<b>22,268</b>	<b>Sub-total charges</b>	<b>19,840</b>
(3,543)	Difference between fair value depreciation and historical cost depreciation transferred to the Revaluation Reserve	(3,761)
(1,047)	Accumulated gains on assets sold or scrapped	(1,202)
<b>17,678</b>	<b>Net written out amount of the cost of non -current assets consumed in the year</b>	<b>14,877</b>
	<i><b>Capital Financing applied in the year:</b></i>	
(7,402)	Use of the Capital Receipts Reserve to finance new capital expenditure	(10,560)
(5,275)	Use of Major Repairs Reserve to finance new capital expenditure	(3,354)
(3,502)	Capital Grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,467)
(681)	Application of grants to capital financing from the Capital Grants Unapplied Account	(114)
(279)	Direct Revenue Financing	(358)
(7,000)	Housing debt repayment provision	(8,000)
(1,701)	Statutory provision for the financing of capital investment charged against the General Fund	(1,374)
<b>(25,840)</b>	<b>Sub-total capital financing</b>	<b>(26,227)</b>
<b>(194,215)</b>	<b>Balance at 31 March</b>	<b>(205,565)</b>

# Notes to the Accounts

## 23.3 Pensions Reserve

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

2017/18 £'000	Pensions Reserve	2018/19 £'000
50,732	<b>Balance at 1 April</b>	47,406
(5,578)	Remeasurements of the net defined benefit liability	3,907
5,639	Reversal of items relating to retirement benefits debited to the Surplus on the Provision of Services in the Comprehensive Income and Expenditure Statement	6,131
(3,387)	Employer's pensions contributions and direct payments to pensioners payable in the year	(3,404)
<b>47,406</b>	<b>Balance at 31 March</b>	<b>54,040</b>

## 23.4 Collection fund Adjustment Account

2017/18			Collection Fund	2018/19		
Council Tax £'000	Business Rates £'000	Total £'000	Adjustment Account	Council Tax £'000	Business Rates £'000	Total £'000
(411)	2,496	2,085	<b>Balance at 1 April</b>	(293)	1,419	1,126
118	(1,077)	(959)	Movement on account	62	654	716
<b>(293)</b>	<b>1,419</b>	<b>1,126</b>	<b>Balance at 31 March</b>	<b>(231)</b>	<b>2,073</b>	<b>1,842</b>

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the

## Notes to the Accounts

statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

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

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

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

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

2017/2018 £'000		2018/2019 £'000
	<b>Non Cash Transactions</b>	
13,850	Depreciation, downward revaluations and impairments	11,935
116	Amortisations	116
2,252	Pension fund adjustments	2,727
7,077	Carrying amount of non-current assets sold	6,492
(10)	(Increase)/decrease in stock	(42)
71	(Increase)/decrease in debtors	319
(534)	Other non-cash items charged on the provision of services	149
19	(Decrease)/increase in creditors	3,358
<b>22,841</b>	<b>Total non-cash movements</b>	<b>25,054</b>

## Notes to the Accounts

### 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:

2017/2018 £'000		2018/2019 £'000
(4,908)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,931)
(3,526)	Capital grants credited to the surplus or deficit on the provision of services	(3,079)
<b>(8,434)</b>	<b>Net adjustment</b>	<b>(8,010)</b>

The net cash flow from operating activities for 2018/19 includes interest received of £114k (2017/18 £105k) and interest paid of £4,963k (2017/18 £5,067k).

### 26. Cash Flow Statement – Investing Activities

2017/2018 £'000		2018/2019 £'000
(24,907)	Purchase of property, plant and equipment, investment property and intangible assets	(30,708)
(166,025)	Purchase of short-term investments	(220,041)
(592)	Loans granted	(442)
4,933	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,958
171,025	Proceeds from short-term and long term investments	220,041
3,788	Capital grants received	4,279
<b>(11,778)</b>	<b>Net cash flows from investing activities</b>	<b>(21,913)</b>

# Notes to the Accounts

## 27. Cash Flow Statement – Financing Activities

2017/2018 £'000		2018/2019 £'000
-	Cash Receipts of Short-Term and Long-Term Borrowing	19,500
(7,000)	Repayment of Short-Term and Long-Term Borrowing	(15,500)
960	Council Tax and NNDR adjustments	(4,570)
<b>(6,040)</b>	<b>Total cash flow from financing activities</b>	<b>(570)</b>

### 27.1 Reconciliation of liabilities arising from financing activities

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

	2018/19				
	1st April 2018 £'000	Loans Repaid £'000	New Loans £'000	Transfer between Short and Long Term Borrowing £'000	31st March 2019 £'000
Long term borrowings	165,416			(7,000)	158,416
Short term borrowings	8,000	(15,500)	19,500	7,000	19,000
<b>Total liabilities from financing activities</b>	<b>173,416</b>	<b>(15,500)</b>	<b>19,500</b>	-	<b>177,416</b>

	2017/18				
	1st April 2017 £'000	Loans Repaid £'000	New Loans £'000	Transfer between Short and Long Term Borrowing £'000	31st March 2018 £'000
Long term borrowings	173,416			(8,000)	165,416
Short term borrowings	7,000	(7,000)		8,000	8,000
<b>Total liabilities from financing activities</b>	<b>180,416</b>	<b>(7,000)</b>	-	-	<b>173,416</b>

# Notes to the Accounts

## 28. Trading Operations

The Council has the following trading operations:

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

2017/2018 £'000	Trading Operations		2018/2019 £'000
(649)	<b>Markets</b>	Turnover	(520)
860		Expenditure	700
<b>211</b>		<b>Deficit</b>	<b>180</b>
(584)	<b>Commercial Premises</b>	Turnover	(651)
358		Expenditure	373
<b>(226)</b>		<b>Surplus</b>	<b>(278)</b>
<b>(15)</b>	<b>Net (Surplus)/Deficit on Trading Operations</b>		<b>(98)</b>

## 29. Members' Allowances

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

2017/2018 £000	Members' Allowances	2018/2019 £000
434	Allowances	439
1	Expenses	2
<b>435</b>	<b>Total</b>	<b>441</b>

# Notes to the Accounts

## 30. Officers' Remuneration

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

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

<b>2017/2018</b>		Salary, fees and allowances	Benefits in kind	Total Remuneration excluding pension contributions	Employer's pension contribution	Total Remuneration including pension contributions
Post Title	Notes	£'000	£'000	£'000	£'000	£'000
Chief Executive and Head of Policy (see note i)	To 16/7/17	31.9	-	31.9	9.7	41.6
Chief Executive and Head of Policy (see note ii)	From 16/7/17	92.6	-	92.6	29.7	122.3
Deputy Chief Executive (Finance and Legal) (see note iii)		70.8	-	70.8	23.7	94.5
Head of Legal, Democratic Services and Regulatory Services (see note iv)	To 3/7/17	56.2	-	56.2	14.8	71.0
Head of Housing		71.8	-	71.8	23.1	94.9
Head of Community Services (acting) (see note v)	To 1/1/18	63.6	2.7	66.3	20.4	86.7
Head of Community Services (see note vi)	From 1/1/18	56.3	-	56.3	17.8	74.1
Head of Corporate Services (see note vii)		62.5	-	62.5	20.1	82.6
Head of Planning and Building Control		71.8	-	71.8	23.1	94.9
Deputy Chief Executive (Commercial and Development) (see note viii)		80.0	6.1	86.1	25.7	111.8
<b>2017/18 Totals</b>		<b>657.5</b>	<b>8.8</b>	<b>666.3</b>	<b>208.1</b>	<b>874.4</b>

The information in the table above reflects the annual remuneration paid to employees in the posts as at 31 March 2019.

## Notes to the Accounts

- i) The Chief Executive who was in post during 2016/17 left during 2017/18 and was immediately replaced. There are only prior year figures for them.
- ii) The new postholder for Chief Executive was promoted from the Head of Corporate Services post on 16<sup>th</sup> July 2017.
- iii) The postholder went on unpaid parental leave from 7<sup>th</sup> April 2018 to 15<sup>th</sup> June 2018 resulting in a drop in pay for 2018/19 compared to 2017/18.
- iv) The Head of Legal, Democratic and Regulatory Services took semi-retirement in 2017/18 and was not replaced and the service's functions were distributed amongst other services. They continued in their role as Returning Officer.
- v) The Head of Community Services was appointed on a fixed term basis during 2016/17. The prior year figures stated refers to them. They continued in their previous role when the contract ended on 1<sup>st</sup> January 2018. During 2018/19 they left employment with the Council.
- vi) The Head of Community Services post was permanently filled by an internal appointment during on 1<sup>st</sup> January 2018. There was an immediate salary increase then a further one starting in April 2018 after the probation period finished. This made the remuneration commensurate with the other Heads of Service.
- vii) The Head of Corporate Services post was filled by an internal appointment on 1st January 2018 but had been acting up into this role since July 2017 when the previous postholder was promoted to Chief Executive.
- viii) The Head of Commercial and Development Services was a pilot role starting in 2016/17. The post was filled by the Head of Community Services postholder. This role was made permanent on 1 October 2017. They remained in post during 2018/19 but no longer received the pay supplements they received in 2017/18.

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

2017/2018 Number ex. redundancies	2017/2018 Number inc. redundancies		2018/2019 Number ex. redundancies	2018/2019 Number inc. redundancies
		Remuneration		
12	12	£50,000 - £54,999	7	7
4	4	£55,000 - £59,999	4	4
2	2	£60,000 - £64,999	1	1
-	-	£65,000 - £69,999	-	-
-	-	£70,000 - £74,999	1	1
<b>18</b>	<b>18</b>	<b>Total</b>	<b>13</b>	<b>13</b>

### 31. Termination Benefits

## Notes to the Accounts

The Council terminated the contract of three employees in 2018/19, incurring a cost of £43k (£31k in 2017/18). The table below sets out the numbers of exit packages with total cost per band. All redundancies were compulsory.

Exit package cost (including special payments)  £'000	Number of compulsory redundancies		Total cost of exit packages in each band	
	2017/18	2018/19	2017/18 £'000	2018/19 £'000
£0 - £20	3	2	31.3	15.5
>£20 - £40	-	1	-	27.2
>£40 - £60	-	-	-	-
<b>Total</b>	<b>3</b>	<b>3</b>	<b>31.3</b>	<b>42.7</b>

### 32. External Audit Costs

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

2017/2018 £'000		2018/2019 £'000
56	Fees payable with regard to external audit services carried out by the appointed auditor for the current year	46
20	Fees payable with regard to additional external audit services carried out by the appointed auditor relating to an objection to the accounts	
14	Fees payable for the certification of grant claims and returns	9
<b>90</b>		<b>55</b>

## Notes to the Accounts

### 33. Grants and Contributions Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19.

2017/2018 £'000	Grant Income	2018/2019 £'000
	<b>Credited to Taxation and Non specific grant income</b>	
324	Revenue support grant	-
2,730	New Homes Bonus	1,353
-	EU Exit Funding	17
938	Small Business Rate relief	1,114
3,569	Capital grants and contributions	3,096
<b>7,561</b>	<b>Sub-Total</b>	<b>5,580</b>
	<b>Credited to services</b>	
31,482	Rent Allowances & Benefits	27,770
1,155	Recycling credits	1,295
294	Benefits Administration Grants	394
189	Contribution to NDR costs	188
110	Council Tax support admin. subsidy	103
454	Reclaimed Benefits	565
170	Grounds maintenance contributions	179
240	Homelessness Reduction Grant	244
325	Syrian Refugees Grant	305
70	Heritage Lottery and Museum contributions	242
519	Other contributions	295
<b>35,008</b>	<b>Sub-Total</b>	<b>31,580</b>
<b>42,569</b>	<b>Total</b>	<b>37,160</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 2018 £'000	Capital Grants Received in Advance	31 March 2019 £'000
376	Section 106	760
195	Disabled Facilities Grants	294
119	Other	182
<b>690</b>	<b>Total Grants received in advance</b>	<b>1,236</b>

# Notes to the Accounts

## 34. Related Parties

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

### Central Government

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

### Officers

During 2018/19 there were no declarations of pecuniary interest by Council Officers in accordance with section 117 of the Local Government Act 1972.

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2018/19 is shown in Note 28.

During 2018/19 the following declarations were made:

- Cllr Farmer was a Trustee for Druglink. Druglink run a coffee cart from the Civic Centre in St Albans city centre. Druglink are not charged for the space they occupy within the Civic Centre. The Council estimates that the cost of leasing a similar sized site within the city centre would be £4,500 per annum.
- Cllr Harrison was a trustee of Communities 1<sup>st</sup> (C1st) (formerly known as Community Central) until stepping down in October 2018. C1st were awarded grants worth £54,260 during 2018/19 (£69,174 in 2017/18) and similarly are not charged for the space they occupy within the Civic Centre. The rent and service charges are estimated at £20,600 per annum.

As at 19<sup>th</sup> July 2019 there were 6 declarations outstanding from current and ex-councillors.

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

### Entities Controlled or Significantly Influenced by the Council

## Notes to the Accounts

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

The Council has an agreement with five other Hertfordshire authorities for the running of the West Hertfordshire Crematorium through a Joint Committee. The Agreement provides for deficits to be met by the constituent councils but in practice the Crematorium meets its running costs from its own income, and builds up reserves where possible to meet future capital improvement costs. The Agreement also allows for surpluses to be paid to the constituent councils, where they are not required for future capital investment – in 2018/19 the Council received £50k. The assets and liabilities of the Joint Committee are shared by the five Hertfordshire Local Authorities in ratio of their populations except that the Land and Building assets are vested in the local authority where the Crematorium is situated. The Council's share of the assets and liabilities and of the net income is immaterial to the accounts and has not been consolidated.

The Council established a separate company called Oak Tree Gardens (St Albans) Management Company Limited on the 07/11/18 expressly to manage the Oak Tree Gardens development. The directors are Colm O'Callaghan (Deputy Chief Executive (Finance and Legal)) and Richard Shwe (Deputy Chief Executive (Commercial and Development)). The Council made no payment to the Management Company or managing agents in 2018/19.

A Council officer, Joe Tavernier (Head of Community Services) is a director for St Albans Bid Ltd the company established to run the Business Improvement District (BID) in St Albans. Another director's post is held by a councillor and between April to June 2018 this was Cllr Beric Reid followed by Cllr Salih Gaygusuz from July 2018 to May 2019. In 2018/19 the Council paid to the BID company a levy of £24,039 and the BID company had an outstanding loan from the Council of £75,000 as at 31st March 2019.

# Notes to the Accounts

## 35. Capital Expenditure and Capital Financing

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

2017/18 £'000	Capital financing Requirement	2018/19 £'000
<b>211,304</b>	<b>Opening Capital Financing Requirement</b>	<b>212,827</b>
	<b>Capital investment</b>	
26,228	Property, Plant and Equipment	27,710
-	Heritage Assets	11
-	Intangible Assets	50
1,135	Revenue Expenditure funded from Capital under Statute	1,246
<b>27,363</b>		<b>29,017</b>
	<b>Less Sources of Finance</b>	
7,402	Capital Receipts	10,560
2,387	Other Government Grants and other contributions	1,211
357	Disabled Facilities Grant	687
1,148	Heritage Lottery funding for New Museums and Galleries	586
291	Leaseholders Recharge	99
5,275	Major Repairs Reserve	3,354
279	Revenue contribution to capital general Fund	358
7,000	Voluntary revenue provision HRA	8,000
1,701	Minimum revenue provision General Fund	1,374
<b>25,840</b>		<b>26,229</b>
<b>212,827</b>	<b>Closing Capital Financing Requirement</b>	<b>215,615</b>

2017/18 £'000	Explanation of movements in year	2018/19 £'000
1,523	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	2,788
<b>1,523</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>2,788</b>

# Notes to the Accounts

## 36. Leases

### Council as a Lessor

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

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

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

2017/2018 £'000		2018/2019 £'000
1,092	Not later than one year	1,278
3,685	Later than one year and not later than five years	4,054
8,431	Later than five years	10,390
<b>13,208</b>		<b>15,722</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 2018/19 the rent receivable by the Council was £1,017k (2017/18 £954k).

## 37. Defined Benefit Pension Scheme

### Participation in the Pension Scheme

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

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

The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of Hertfordshire County Council. Policy is determined in accordance with the Local Government Pension Scheme Regulations 2013. The Pensions Committee has appointed

## Notes to the Accounts

various investment fund managers and their performance is monitored by an Investment Sub-Committee.

### **Transactions Relating to Post-employment Benefits**

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

## Notes to the Accounts

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

2017/2018 £'000	Transactions Relating to Post Employment Benefits	2018/2019 £'000
	<b>Comprehensive Income and Expenditure Statement</b>	
	<b>Cost of Services:</b>	
4,335	- Current Service Cost	4,286
10	- Past Service Costs (including curtailments)	594
	<b>Financing and Investment Income and Expenditure</b>	
1,280	Net Interest expense	1,251
<b>5,625</b>	<b>Total Post Employment Benefit Charged/(Credited) to the Surplus or Deficit on the Provision of Services</b>	<b>6,131</b>
	<b>Other Post Employment Benefit Charged/(Credited) to the Comprehensive Income and Expenditure Statement</b>	
	<b>Remeasurements of the net defined benefit liability comprising:</b>	
(2,972)	Return on plan assets (excluding the amount included in the net interest expense)	(4,542)
-	Actuarial (gains) and losses arising from changes in demographic assumptions	-
(2,606)	Actuarial (gains) and losses arising from changes in financial assumptions	8,449
-	Experience (gain) and losses	-
<b>(5,578)</b>	<b>Total Post Employment Benefit Charged/(Credited) to the Comprehensive Income and Expenditure Statement</b>	<b>3,907</b>
	<b>Movement in Reserves Statement</b>	
(5,625)	Reversal of net charges made to the Surplus or deficit for the Provision of Services for employment benefits in accordance with the Code	(6,131)
3,373	Actual amount charged against the General Fund Balance for pensions in the year: Employers' contributions payable to the scheme	3,404
<b>(2,252)</b>	<b>Pension costs transferred to/(from) the Pensions Reserve</b>	<b>(2,727)</b>

## Notes to the Accounts

### Pension Assets and Liabilities Recognised in the Balance Sheet

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

2017/2018 £'000		2018/2019 £'000
(150,085)	Present Value of the defined benefit obligation	(163,260)
102,679	Fair values of plan assets	109,220
<b>(47,406)</b>	<b>Net liability arising from the defined benefit obligation</b>	<b>(54,040)</b>

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

2017/2018 £'000	Pension Scheme Assets	2018/2019 £'000
97,903	Opening fair value of scheme assets at 1 April	102,679
2,438	Interest income	2,659
	Remeasurement gain/(loss):	
2,972	Return on plan assets, excluding the amount included in the net interest expense	4,542
3,373	Contributions from employer	3,404
716	Contributions from employees into the scheme	720
(4,723)	Benefits paid	(4,784)
<b>102,679</b>	<b>Closing fair value of scheme assets at 31 March</b>	<b>109,220</b>

## Notes to the Accounts

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

2017/2018 £'000	Pension Scheme Liabilities	2018/2019 £'000
148,635	<b>Opening balance at 1 April</b>	150,085
4,335	Current Service Cost	4,286
3,718	Interest Cost	3,910
716	Contributions from scheme participants	720
	Remeasurement (gains)/losses:	
-	Actuarial (gains) and losses arising from changes in demographic assumptions	-
(2,606)	Actuarial (gains) and losses arising from changes in financial assumptions	8,449
-	Experience (gain)/loss	-
10	Past service costs	594
(4,723)	Benefits Paid	(4,784)
<b>150,085</b>	<b>Closing balance at 31 March</b>	<b>163,260</b>

# Notes to the Accounts

## Local Government Pension Scheme Assets Comprised:

As at 31 March 2018			Asset Category	As at 31 March 2019		
Fair value of scheme assets				Fair value of scheme assets		
Quoted prices in active markets	Quoted prices not in active markets	Total		Quoted prices in active markets	Quoted prices not in active markets	Total
£'000	£'000	£'000		£'000	£'000	£'000
3,427	-	3,427	Cash and cash equivalents	3,534	-	3,534
-	-	-	Equity Instruments by industry type			
4,692	-	4,692	Consumer	4,858	-	4,858
4,036	-	4,036	Manufacturing	4,235	-	4,235
1,077	-	1,077	Energy and utilities	1,127	-	1,127
4,580	-	4,580	Financial institutions	4,504	-	4,504
650	-	650	Health and care	888	-	888
3,201	-	3,201	Information technology	3,417	-	3,417
244	-	244	Other	292	-	292
			Debt Securities			
-	42	42	Other	-	50	50
-	3,896	3,896	Private Equity	-	5,121	5,121
			Property			
-	3,402	3,402	UK property	-	3,869	3,869
-	3,352	3,352	Overseas property	-	4,143	4,143
			Investment Funds and Unit Trusts			
26,988	-	26,988	Equities	27,559	-	27,559
36,928	-	36,928	Bonds	37,999	-	37,999
-	-	-	Commodities	-	-	-
-	245	245	Infrastructure	-	1,059	1,059
765	5,238	6,003	Other	923	5,772	6,695
			Derivatives			
-	(82)	(82)	Foreign exchange	-	(130)	(130)
<b>86,587</b>	<b>16,092</b>	<b>102,679</b>	<b>Totals</b>	<b>89,336</b>	<b>19,884</b>	<b>109,220</b>

## Basis for Estimating Assets and Liabilities

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

## Notes to the Accounts

The significant assumptions used by the actuary have been:

31 March 2018	Actuarial Assumptions	31 March 2019
	<b>Long-term expected rate of return on assets in the scheme</b>	
2.6%	Equity investments	2.4%
2.6%	Bonds	2.4%
2.6%	Property	2.4%
2.6%	Cash	2.4%
	<b>Mortality assumptions</b>	
	Longevity at 65 for current pensioners	
22.5	Men	22.5
24.9	Women	24.9
	Longevity at 65 for future pensioners	
24.1	Men	24.1
26.7	Women	26.7
	<b>Financial assumptions</b>	
2.4%	Rate of inflation	2.5%
2.5%	Rate of increase in salaries	2.6%
2.4%	Rate of increase in pensions	2.5%
2.6%	Rate for discounting scheme liabilities	2.4%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes whilst all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

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

## Notes to the Accounts

Change in assumptions at 31 March 2019	Approximate % increase to employer liability	Approximate monetary amount £'000
0.5% decrease in Real Discount Rate	9%	15,331
0.5% increase in Salary Increase Rate	1%	1,726
0.5% increase in the Pension Increase Rate	8%	13,390

### Impact on the Authority's Cash Flows

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

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

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

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

The weighted average duration of the defined benefit obligation for scheme members at 31 March 2019 is 16.1 years (31 March 2018 16.1 years).

### 38. Contingent Liabilities

In 1992, Municipal Mutual Insurance (MMI), one of our insurers at the time, stopped accepting new business. MMI and its policy holders, including local authorities, have organised how the company can be closed if necessary. How much MMI owes cannot be worked out until all current and future claims have been settled. MMI may not have enough money to pay its debts in the future. If that is the case, MMI can claim back from its major policy holders, including the Council, part of the claims paid from 1 October 1993. The balance of un-provided claims MMI could ask for as at 31 March 2019 is £447k (31 March 2018 £447k).

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

### 39. Nature and Extent of Risks Arising from Financial Instruments

# Notes to the Accounts

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 £3,352k 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 2019 that this was likely to crystallise.

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

The Council generally allows its debtors 14 days credit. Of the £3,544k (2017/18 £2,696k) outstanding from debtors, £2,216k (2017/18 £1,813k) is past due and this is analysed by age as follows:

## Notes to the Accounts

31 March 2018 £'000	Trade Debtors Ageing	31 March 2019 £'000
486	Less than 3 months overdue	635
240	3 to 6 months overdue	161
254	7 months to 1 year overdue	329
833	More than 1 year overdue	1,091
<b>1,813</b>		<b>2,216</b>

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

### Amounts arising from expected credit losses

The following table shows the movement in the impairment loss allowance from 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019.

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

## Notes to the Accounts

<b>Loss allowance by Asset Class 2017/18</b>		
Asset Class (amortised cost): <b>Trade Debtors</b>	Lifetime expected credit losses – simplified approach (for Trade Debtors only) £'000	Total £'000
<b>Opening balance as at 1 April 2017</b>	<b>138</b>	<b>138</b>
Amounts written off	0	0
Financial assets that have been derecognised (Repayment of debtors provided for in general & specific provision)	(46)	(46)
Changes due to modifications that did not result in derecognition (New Debtors)	41	41
Changes in models/risk parameters	0	0
Other changes	0	0
<b>As at 31 March 2018</b>	<b>133</b>	<b>133</b>

If collection rates were to deteriorate an increase in the impairment of doubtful debts would be required. To provide in full for overdue trade debtors over 1 year old would require an additional £506k to be set aside as an allowance.

### Liquidity Risk

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

The Council borrowed £189.6m in 2011/12 in order to provide the funds to pay for the Housing Self Financing debt, and existing Housing debt, taking the total housing debt to £191.1m. Housing Self Financing was the system for financing council housing introduced in April 2012 that replaced the Housing Revenue Account subsidy system. In order to take account of low interest rates and favourable terms all borrowings were taken at fixed interest rates. The repayment of debt has been taken into account in the Housing 30 year business plan and it is considered that planned rental income is sufficient to repay debt when it becomes due. £25.6m has so far been repaid on due date leaving a balance of £165.4m owing at 31 March 2019 (£158.4m loans over 12 months and £7.0m loans 12 months and under).

During 2018/19 the Council borrowed for short term periods (3 months or less) to meet cash flow requirements. The sum and duration of borrowing was kept to a minimum and entirely from other local authorities.

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

# Notes to the Accounts

The maturity analysis of financial liabilities is as follows:

<b>31 March 2018 £'000</b>	<b>Maturity Analysis of Financial Liabilities</b>	<b>31 March 2019 £'000</b>
8,000	Less than one year	19,000
7,000	Between one and two years	9,000
32,000	Between two and five years	36,000
75,000	Between five and ten years	79,500
49,916	Between ten and fifteen years	32,416
1,500	Between fifteen and twenty years	1,500
<b>173,416</b>		<b>177,416</b>

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

## Market Risk

### Interest Rate Risk

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

The average interest rate earned on investments during the year was 0.6% and if interest rates throughout the year had been 0.5% higher this would have increased the amount of interest earned by £89k.

As mentioned above, all debt is at fixed interest rates ranging from 1.76% to 4.65% (for the longest term debt), with a weighted average rate of 3.15%.

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

## 40. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Authority	Exhibits £'000	Silver £'000	Civic Regalia £'000	Cups and Trophies £'000	Sculptures £'000	War Memorials £'000	Total Assets £'000
<b>Cost or valuation:</b>							
1 April 2017	4,359	338	46	535	36	386	5,661
<b>31 March 2018</b>	<b>4,416</b>	<b>345</b>	<b>144</b>	<b>548</b>	<b>37</b>	<b>409</b>	<b>5,899</b>
<b>Cost or valuation:</b>							
1 April 2018	4,416	345	144	548	37	409	5,899
Additions	-	-	11	-	-	-	11
Revaluation	170	10	4	16	-	13	213
<b>31 March 2019</b>	<b>4,586</b>	<b>355</b>	<b>159</b>	<b>564</b>	<b>37</b>	<b>422</b>	<b>6,123</b>

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

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

## 41. Heritage Assets – Information on the Museums' Collections

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

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

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

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

### Preservation and Management

# Notes to the Accounts

## **Acquisition and Disposal**

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

## **Preservation and Management – Collections Care**

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

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

## HRA Income and Expenditure Statement

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

2017/18	Housing Revenue Account Income and Expenditure Statement	2018/19
£'000		£'000
	<b>Expenditure</b>	
5,080	Repairs and Maintenance	4,888
5,437	Supervision and Management	5,973
237	Rents, Rates, Taxes and other charges	202
7,462	Depreciation and impairment of non-current assets	7,631
2,916	Revaluation gains reversing prior year losses charged to the HRA	(403)
35	Debt Management costs	38
219	Movement in the allowance for bad debts	75
213	HRA services' share of Corporate and Democratic Core	200
<b>21,586</b>	<b>Total Expenditure</b>	<b>18,604</b>
	<b>Income</b>	
(26,448)	Dwelling rents	(26,274)
(1,094)	Non-dwelling rents	(1,127)
(668)	Charges for services and facilities	(814)
<b>(28,210)</b>	<b>Total Income</b>	<b>(28,215)</b>
<b>(6,824)</b>	<b>Net (Income)/Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>	<b>(9,611)</b>
<b>(6,611)</b>	<b>Net (Income)/Cost of HRA Services</b>	<b>(9,611)</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure</b>	
(2,423)	Gain on sale of HRA non-current assets	(832)
4,771	Write-off of replaced asset components	3,050
5,066	Interest payable and similar charges	4,961
(70)	Interest and investment income	(103)
191	Net interest on the net defined benefit liability	190
(776)	Capital grants, contributions and other receipts	(405)
<b>148</b>	<b>(Surplus)/Deficit for the year on HRA services</b>	<b>(2,750)</b>

## Movement on the HRA Statement

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

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

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

2017/18	Movement on the Housing Revenue Account Statement	2018/19
£'000		£'000
(7,283)	Balance on the HRA at the end of the previous year	(7,311)
148	(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement	(2,750)
	<b>Adjustments between accounting basis and funding basis under statute</b>	
(2,910)	Transfer (from)/to the Capital Adjustment Account for the impairment of dwellings	217
7,000	Transfer to the Capital Adjustment Account for debt repayment provision	8,000
(1,800)	Loan repayment funded by MRR	-
(534)	Transfer from the Capital Adjustment Account for Revenue expenditure funded from capital under statute	(438)
(26)	Contribution from the Capital Receipts Reserve towards the administrative costs of non-current asset disposals	(16)
2,423	Gain on sale of HRA non-current assets	832
(4,771)	Write-off of replaced asset components	(3,050)
707	Capital grants and Contributions	99
69	Other Capital Receipts	288
(334)	HRA share of contributions to or from the Pensions Reserve	(324)
(28)	<b>Net (increase)/decrease before transfers to or from</b>	<b>2,858</b>
-	<b>Transfers to/(from) reserves</b>	<b>-</b>
(28)	<b>(Increase)/decrease in year on the HRA</b>	<b>2,858</b>
(7,311)	<b>Balance on the HRA at the end of the current year</b>	<b>(4,453)</b>

# Notes to the Housing Revenue Account

## H1. Analysis and Value of the Housing Stock

### a) Number and Types of Dwelling in the Housing Stock

The Council was responsible for managing 4,898 dwellings as at 31 March 2019 as follows:

31 March 2018	Number of Dwellings by Type	31 March 2019
	One bedroom dwellings	
322	- Houses and Bungalows	325
1,109	- Flats	1,091
	Two bedroom dwellings	
510	- Houses and Bungalows	513
862	- Flats	894
	Three bedroom dwellings	
1,887	- Houses and Bungalows	1,889
29	- Flats	30
	Four or more bedroom dwellings	
90	- Houses and Bungalows	88
68	Multi-occupied dwellings	68
<b>4,877</b>		<b>4,898</b>

On 31 March 2019, 1.92% (2018 1.80%) of lettable properties were vacant.  
The change in stock can be summarised as follows:

2017/18	Dwelling Stock Reconciliation	2018/19
4,899	Stock at 1 April	4,877
(20)	Less: Right to buy sales	(12)
	- Purchases	18
	- Newly constructed	48
(2)	Reclassified, disposed, demolishe	(33)
<b>4,877</b>	Stock at 31 March	<b>4,898</b>

## Notes to the Housing Revenue Account

### b) Balance Sheet Value

HRA dwellings are valued using the Beacon basis whereby all properties are linked to a set of 'beacon' properties and valued in line with the change in average value of the 'beacons'. Beacon properties were revalued 1 April 2018, then reviewed and adjusted for as at 31 March 2019. The valuation is at 'Existing Use Value – Social Housing' reduced to a factor to reflect social housing tenancies. The factors for surrounding regions are set by central government each year, and 35% for 2018/19 (35% in 2017/18) has been deemed by a Registered Valuer and Local Property Expert as appropriate for St Albans.

<b>31 March 2018 £'000</b>	<b>Housing land, dwellings and other property</b>	<b>31 March 2019 £'000</b>
556,312	Dwellings	544,607
6,949	Other land and buildings	8,933
5,068	Garages	5,292
3,204	HRA shops	2,869
5	Vehicles, Plant and Equipment	3
11,539	Assets under construction	2,185
<b>583,077</b>	<b>Total property plant and equipment</b>	<b>563,889</b>
1,202	Assets Held for Sale	647
<b>584,279</b>	<b>Total land, dwellings and other property</b>	<b>564,536</b>

### c) Vacant Possession Value

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

<b>At 31 March 2018 £'000</b>	<b>Vacant Possession Value</b>	<b>At 31 March 2019 £'000</b>
<b>1,573,745</b>	<b>HRA Dwellings</b>	<b>1,565,077</b>

# Notes to the Housing Revenue Account

## H2. Major Repairs Reserve

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

2017/18 £'000	Major Repairs Reserve	2018/19 £'000
(6,140)	Opening Balance 1 April	(6,534)
	Transfer to Reserve in year	
(7,336)	Depreciation Dwellings	(7,299)
(125)	Depreciation Non-Dwellings	(138)
(8)	Other depreciation	(8)
<b>(7,469)</b>	<b>Sub-total</b>	<b>(7,445)</b>
5,275	Used to fund capital expenditure in year	3,354
1,800	Used to fund loan repayment in year	-
<b>(6,534)</b>	<b>Closing Balance at 31 March</b>	<b>(10,625)</b>

# Notes to the Housing Revenue Account

## H3. Capital Expenditure

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

2017/18 £'000	Categories of Capital Expenditure	2018/19 £'000
919	Kitchens and bathrooms	264
571	External walls and roofing	625
573	Windows and doors	773
1,370	Heating, wiring and plumbing	603
1,182	Other	828
-	Property Purchases	4,680
<b>4,615</b>	<b>Council Dwellings Additions</b>	<b>7,773</b>
166	Other land and buildings	125
8,266	Social Housing Development	4,646
354	Disabled Facilities Grants	588
705	Other capital expenditure	545
<b>14,106</b>	<b>Total Capital Expenditure</b>	<b>13,677</b>

- b) This was financed as follows:

2017/18 £'000	Financing of Capital Expenditure	2018/19 £'000
5,275	Major Repairs Reserve	3,355
7,268	Capital Receipts Reserve	9,734
1,563	Grants and contributions	588
<b>14,106</b>	<b>Total Capital Funding</b>	<b>13,677</b>

- c) The Council has capital contract commitments as at 31 March 2019 of £3.2m relating to Housing Investment Programme schemes (the Housing capital programme).

# Notes to the Housing Revenue Account

## H4. Capital Receipts

In accordance with the requirements of the Local Authorities (Capital Finance and Accounting) (England) Regulations, the Council pays a proportion of capital receipts from the disposal of housing assets to the National Pool. In 2018/19 £0.934m (2017/18: £1.164m) was paid by the Council, which represented 35% (2017/18: 28%) of the capital receipts subject to pooling.

The number of Council property sales was 14 of which 12 were Right to Buys (2017/18: 22, of which 20 were Right to Buys). The following table is a summary of the capital receipts from disposals of land, houses and other property within the Council's HRA during the financial year.

2017/18 £'000	Capital Receipts	2018/19 £'000
4,089	Dwelling sales (subject to pooling)	2,703
688	Non-poolable receipts	1,331
<b>4,777</b>	<b>Gross capital receipts</b>	<b>4,034</b>
(26)	Less Costs	(16)
	<b>Payable to National Pool</b>	
(1,138)	For current year	(934)
<b>3,613</b>	<b>Retained Capital Receipts</b>	<b>3,084</b>

The Housing Capital receipt balance on 31 March 2019 was £6.471m (2017/18: £12.915m). £4.503m of this has been retained on condition that it will be spent on the provision of new affordable housing and the Council has plans to meet this condition.

# Notes to the Housing Revenue Account

## H5. Depreciation

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

Structure: 100 years

Roof: 70 years

Windows: 30 years

Internal Components: 15-40 years

2017/18 £'000	Depreciation	2018/19 £'000
7,244	Dwellings	7,188
91	Multi Occupancy Properties	111
8	Equipment, Vehicles and Intangibles	8
125	Garages	137
<b>7,468</b>	<b>Total Depreciation Charged to the HRA</b>	<b>7,444</b>

## H6. Pension Costs

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

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

2017/18 £'000	Pension Costs	2018/19 £'000
	Net Cost of Services:	
645	- Current Service Cost	652
	Net Operating Expenditure:	
191	- Net Interest expense	190
<b>836</b>	<b>Net charge to the HRA</b>	<b>842</b>
	Amounts to be met from Government Grants and Local	
(334)	- Movement on pensions reserve	(324)
<b>502</b>	<b>Actual amount charged against Council tax for pensions in the year: Employer's contributions payable to the scheme</b>	<b>518</b>

# Notes to the Housing Revenue Account

## H7. Rent Arrears and Bad Debts

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

2017/18 £'000	Council Tenant Rent Arrears	2018/19 £'000
1,222	Arrears at 31 March	1,324
4.7%	Rent arrears as a percentage of gross rent income	5.1%

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

2017/18 £'000	Bad Debt Provision	2018/19 £'000
474	Bad debts provision at 1 April	479
(153)	Debts written off in the year	(121)
158	Increase/(decrease) in provision	150
<b>479</b>	<b>Bad debt provision at 31 March</b>	<b>508</b>

## H8. Rent Rebates

Assistance with rents for those on low incomes is available under the Housing Benefits Scheme. In 2018/19 39.7% (2017/18 44.8%) of the Council's rents receivable were by way of benefits. Rent rebates are chargeable to the General Fund and reclaimed from Central Government by way of a Housing Benefit grant.

## H9. Revenue Expenditure funded from Capital Under Statute

In 2018/19, an amount of £135k has been debited (2017/18 debit of £153k) to the HRA cost of services being the net of the cost of capital expenditure chargeable to leaseholders and the amount invoiced to leaseholders. This has been reversed out to the Capital Adjustment Account in the Movement on the HRA Statement. The charge or credit arises due to a timing difference between the work being completed and invoiced.

# Collection Fund Statement

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

2017/18			Collection Fund Income and Expenditure Account	2018/19			
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total	
£'000	£'000	£'000	Note	£'000	£'000	£'000	
			<b>Income</b>				
-	(99,919)	(99,919)	Council tax receivable	C1	-	(106,338)	(106,338)
(63,323)	-	(63,323)	Business rates receivable	C2	(60,261)	-	(60,261)
2,053	-	2,053	Less Transitional payment protection payable		(235)	-	(235)
<b>(61,270)</b>	<b>(99,919)</b>	<b>(161,189)</b>	<b>Total Income</b>		<b>(60,496)</b>	<b>(106,338)</b>	<b>(166,834)</b>
			<b>Expenditure</b>				
			<b>Precepts, Demands and shares:</b>				
5,797	76,210	82,007	Hertfordshire County Council		6,073	81,388	87,461
-	9,298	9,298	Police and Crime Commissioner for Hertfordshire		-	10,108	10,108
23,187	12,970	36,157	St Albans District Council (including Parishes)		24,294	13,301	37,595
28,984	-	28,984	Central Government		30,367	-	30,367
			<b>Charges to Collection Fund</b>				
188	-	188	Costs of collection		188	-	188
-	298	298	Write-offs of uncollectable amounts		-	73	73
466	(65)	401	Allowance for impairment		234	213	447
251	-	251	Provision for appeals		4,901	-	4,901
5	-	5	Enterprise Zone		258	-	258
(289)	1,882	1,593	<b>Contributions towards previous year's estimated Collection Fund surplus/(deficit)</b>	C3	(3,661)	1,798	(1,863)
<b>58,589</b>	<b>100,593</b>	<b>159,182</b>	<b>Total Expenditure</b>		<b>62,654</b>	<b>106,881</b>	<b>169,535</b>
<b>(2,681)</b>	<b>674</b>	<b>(2,007)</b>	<b>Movement on Fund balance</b>		<b>2,158</b>	<b>543</b>	<b>2,701</b>
6,243	(3,325)	2,918	Balance at 1 April brought forward		3,562	(2,651)	911
<b>3,562</b>	<b>(2,651)</b>	<b>911</b>	<b>Balance at 31 March carried forward</b>		<b>5,720</b>	<b>(2,108)</b>	<b>3,612</b>
			<b>Shares of balance</b>				
356	(2,101)	(1,745)	Hertfordshire County Council		572	(1,662)	(1,090)
-	(258)	(258)	Police and Crime Commissioner for Hertfordshire		-	(214)	(214)
1,425	(292)	1,133	St Albans District Council (included in reserves)		2,288	(231)	2,057
1,781	-	1,781	Central Government		2,860	-	2,860
<b>3,562</b>	<b>(2,651)</b>	<b>911</b>	<b>Total carried forward</b>		<b>5,720</b>	<b>(2,107)</b>	<b>3,613</b>

# Annual Governance Statement

## C1. Council Tax

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

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

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

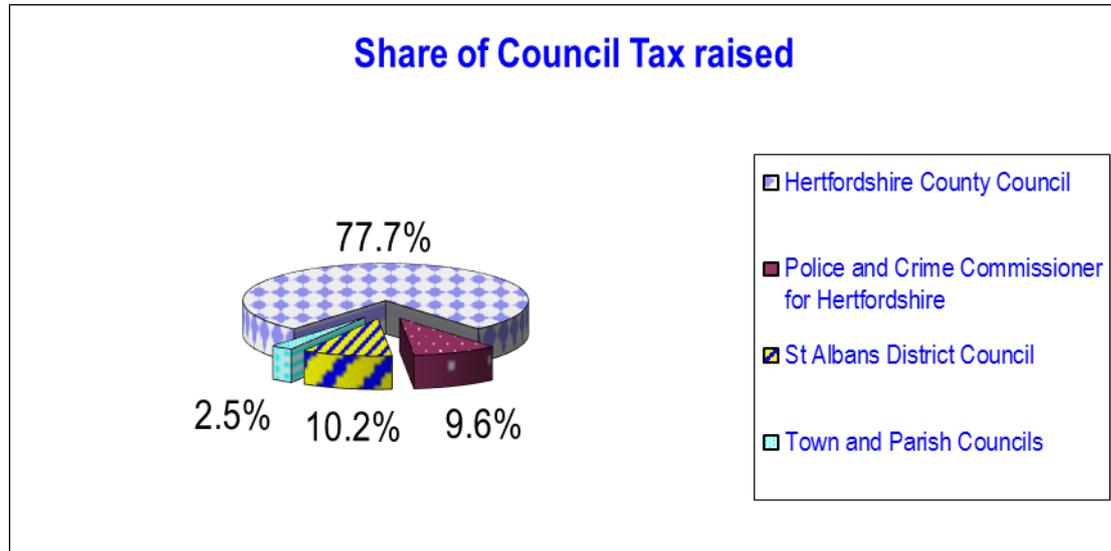
Band	Property Value	Number of dwellings	Ratios	Band D equivalents
A	up to £40,000	623	0.67	417
B	between £40,001 and £52,000	1,819	0.78	1,419
C	between £52,001 and £68,000	6,901	0.89	6,142
D	between £68,001 and £88,000	13,419	1.00	13,419
E	between £88,001 and £120,000	11,580	1.22	14,127
F	between £120,001 and £160,000	8,511	1.44	12,257
G	between £160,001 and £320,000	7,216	1.67	12,052
H	over £320,000	1,213	2.00	2,426
		51,282		62,259
	Less adjustment for non-collection (1%)			(623)
	<b>Council Tax Base for 2018/19</b>			<b>61,636</b>
	Council Tax Base for 2017/18			61,172

Council Tax Levy at Band D by Precepting Council:

2017/18	Council Tax Levy at Band D	2018/19
£1,245.84	- Hertfordshire County Council	£1,320.46
£152.00	- Police and Crime Commissioner for Hertfordshire	£164.00
£169.96	- St Albans District Council	£172.77
£42.06	- Town and Parish Councils	£43.03
<b>£1,609.86</b>	<b>Average Council tax Levy at Band D</b>	<b>£1,700.26</b>

## Collection Fund – Notes to the Collection Fund

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



### C2. Income From Business Rates

Under the Business Rates Retention local authorities retain 50% of the business rates collected for the area and pay the remaining 50% to central government. The percentages retained in the area are St Albans City and District Council 40% and Hertfordshire County Council at 10%. In addition the government has set a level of business rates funding deemed to be applicable to each area and every Council receives a top-up (if business rates collected are below this deemed level of funding) or pays a tariff (if business rates collected are above this deemed level of funding). The Council paid a tariff of £22.5m in 2018/19 (2017/18 £21.6m).

The government has also stated that no local authority will suffer a reduction in business rate income of more than 7.5% of its Business Rates funding baseline. Should a local authority receive business rate income above the baseline the Government allows local authorities to retain 50% of the excess income. St Albans City and District Council qualified for this safety net payment and expects to be refunded £1,638k from central government for 2018/19 and a further £24k to compensate for charges to business rates income announced in the Autumn Statement. This has been accrued as income in the 2018/19 accounts. In 2017/18 the income exceeded the baseline level by £537k.

## Collection Fund – Notes to the Collection Fund

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

2017/18		Business Rate Factors	2018/19	
£	150,457,585	Rateable value at 31 March as notified by the Valuation Office Agency	£	149,373,297
	47.9p	Business Rate multiplier		49.3p
	46.6p	Small business rate multiplier		48.0p

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

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

2017/18			Precepting Authorities	2018/19		
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000
(29)	1,448	1,419	Hertfordshire County Council	(366)	1,422	1,056
-	180	180	Police and Crime Commissioner for Hertfordshire	-	173	173
(116)	254	138	St Albans District Council	(1,465)	203	(1,262)
(144)	-	(144)	Central Government	(1,830)	-	(1,830)
<b>(289)</b>	<b>1,882</b>	<b>1,593</b>	<b>Total surplus/(deficit)</b>	<b>(3,661)</b>	<b>1,798</b>	<b>(1,863)</b>

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

# Annual Governance Statement



## **ST. ALBANS CITY AND DISTRICT COUNCIL**

## **ANNUAL GOVERNANCE STATEMENT**

**JULY 2019**

# Annual Governance Statement

## St. Alban's District Council – Annual Governance Statement 2018-19.

### 1. Scope of Responsibility

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

### 2. What is Corporate Governance?

- 2.1 Corporate governance refers to how the Council is led, controlled and held to account.
- 2.2 The Council's governance framework aims to ensure that in conducting its business it:
  - operates in a lawful, open, inclusive and honest manner;
  - makes sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively;
  - has effective arrangements for the management of risk; and
  - secures continuous improvement in the way that it operates.
- 2.3 The governance framework comprises the culture, values, systems and processes by which the Council is directed and controlled. The framework brings together legislative requirements, good practice principles and management processes.
- 2.4 In 2017-18 the Council refreshed its Local Code of Corporate Governance. The Code is consistent with the principles set out in the “Delivering Good Governance in Local Government” Framework published by CIPFA/SOLACE (2016).

# Annual Governance Statement

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

## The Principles:

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

# Annual Governance Statement

<b>Seven – Implementing good practices in transparency, reporting, and audit to deliver effective accountability.</b>	Annual Governance Statement. Annual Report of the Internal Audit Manager. Publication Scheme and Freedom of Information responses. Publication of meeting schedules, agendas and minutes. Webcasting of Council meetings.
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## **3. The Purpose of the Governance Framework**

- 3.1 The governance framework comprises the systems, processes, culture and values, by which the Council is directed and controlled. This includes the activities through which it engages with, leads and accounts to the community. It enables the Council to monitor the achievement of its strategic objectives of appropriate, cost effective services and activities in line with its policy and budget framework.
- 3.2 The system of internal control is a significant part of that framework and is designed to manage the Council's risks to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is a process designed to identify and prioritise the risks to the achievement of the Council's policies and priorities. It evaluates the likelihood of those risks being realised, and the impact should they be realised, and to manage them economically, efficiently and effectively.
- 3.3 The governance framework has been in place at the Council for the year ended 31 March 2019 and up to the date of approval of the annual statement of accounts.

## **4. The Governance Framework**

4.1 Some of the key features of the governance framework include:

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

# Annual Governance Statement

- v. **Cabinet** – comprising the Leader, Deputy Leader and Portfolio Holders is an executive body. Its role is to formulate strategy and policy and make recommendations to Council.
  - vi. **Scrutiny Committees** – support the work of the Cabinet and the Council as a whole. The committees can ‘call-in’ key decisions which have been made but not yet implemented. The Scrutiny Committees may recommend that Cabinet or other decision takers reconsider the decision.
  - vii. **Audit Committee** – reviews the effectiveness of the internal control, risk and governance environment, and approves the Council’s statutory accounts and the Annual Governance Statement.
  - viii. **Standards Committee** – promotes high standards of conduct and has responsibility for overseeing investigations of complaints against Members.
  - ix. **City Neighbourhoods Committee** – which has delegated authority from Cabinet.
  - x. **The Chief Executive** – (Head of Paid Service) as part of the Senior Management Team has delegated authority to take operational decisions within policies and budgets set by Council.
  - xi. **The Deputy Chief Executive (Finance and Legal)** – is the Council’s Section 151 Officer leading a finance service which promotes effective financial management so that public money is safeguarded and used economically, efficiently and effectively.
  - xii. **The Monitoring Officer** – is responsible for maintaining and advising on the Constitution. This Officer ensures that the Council’s decision making is lawful and fair and supports the promotion of high ethical standards and compliance with Codes of Conduct.
  - xiii. **Chief Executive Board** – comprises the Chief Executive, Deputy Chief Executives, and Heads of Service, responsible for the day to day management of the Council.
  - xiv. **Public Sector Internal Audit Standards** – the Public Sector Internal Audit Standards (PSIAS) have been developed jointly by the relevant internal audit standard setters (RIASS) for local government which includes the Chartered Institute of Public Finance Accountants (CIPFA) and the Chartered Institute of Internal Auditors (CIIA). The PSIAS promote improvement in the professionalism, quality and effectiveness of Internal Audit. Internal Audit’s work complies with the PSIAS.
- 4.2 St. Albans District Council has a clear statement of purpose and vision in its Corporate Plan and this is implemented through the corporate and service planning processes of the Council.
- 4.3 The Council’s priorities provide the basis for the organisation’s corporate, budget and service planning. All decision-making takes account of the vision and priorities – reports to Councillors always refer to them and how a particular issue will have an effect on

# Annual Governance Statement

them. Residents are made aware of them through reporting in the Council's newsheet (Community News), posters, leaflets, and the Council website.

- 4.4 Running the Council is a joint endeavour. The Council's policy is decided by Councillors, with advice from officers, based on community leadership and representation of the District's needs. The Council's strategies, setting out how those policies should be enacted are developed by Councillors and Officers working in partnership.
- 4.5 As well as the financial, legal and audit regulations in place, other arrangements for monitoring in the Authority include contract and procurement procedures plus whistle blowing, anti-fraud, bribery and corruption policies and procedures. Contracts over £250,000 are monitored in relation to contract procedures by the Audit Committee.
- 4.6 The Council has linked achievement of key targets as per the Corporate Plan to appraisal targets for all staff. A management competency framework provides clarity and consistency for management and leadership standards across the Council. This includes arrangements for mentoring and coaching as part of the core management skills.
- 4.7 The Council is open and accessible to the community, service users and its staff. Through its Constitution, Publication Scheme and Freedom of Information responses, and cultivation of a culture of openness. Information is made available to everyone who has a right to see it. There is a presumption of openness unless there is a need to preserve confidentiality, where it is proper and appropriate to do so, for example to protect commercial confidentiality, personal data or for legal reasons.

## 5. Review of Effectiveness

- 5.1 The Council has responsibility for conducting a review of the effectiveness of its governance framework including the system of internal audit. The review of effectiveness is informed by the work of officers within the Council who have responsibility for the development and maintenance of the governance environment and the Internal Audit Manager's annual report.
- 5.2 The processes applied in maintaining the effectiveness of the governance framework are as follows:
  - Review of executive decision making by Scrutiny Committee;
  - Review of Internal Audit activity by the Audit Committee;
  - The Standards Committee monitors and reports annually to the Council on the operation of the Council's executive arrangements with particular regard to transparency and accountability; and
  - Annual reporting to Council on the work of the Audit Committee.

## 6. Internal Audit

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

# Annual Governance Statement

- The Internal Audit Manager is able to meet with the Chair of the Audit Committee and the Chief Executive, should he consider the need to do so;
- All Internal Audit reports are submitted to the Audit Committee for consideration;
- The Audit Committee monitors the progress made by departments in implementing Internal Audit recommendations;
- The Internal Audit Manager has regular meetings with the Deputy Chief Executive (Finance and Legal) and the Chief Executive where issues around (amongst others) risk management, corporate governance and health and safety are discussed.

6.1 The Council will ensure that sufficient capacity is available to fully deliver its Internal Audit plan on a timely basis and the Internal Audit Manager has put in place appropriate processes to ensure that the work undertaken by the section is in accordance with the Public Sector Internal Audit Standards.

6.2 The review of effectiveness is undertaken by assessing:

- The Internal Audit Department against the requirements of the Public Sector Internal Audit Standards;
- The performance of the Audit Committee;
- Quality Control Questionnaires which Internal Audit issue with every final report; and
- Performance Indicators.

6.3 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 determines if it is satisfied that the system of Internal Audit, internal control and risk management is effective.

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

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

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

6.6 In 2017 an external review of Internal Audit with regard to its effectiveness and compliance to the PSIAS was undertaken by CIPFA. A follow-up assessment was undertaken in 2018. Internal Audit

# Annual Governance Statement

were assessed as being in “General Compliance” with the PSIAS. This is the highest level of compliance possible.

6.7 CIPFA’s report on the assessment noted:

“From the evidence reviewed as part of the external quality assessment it is apparent that the Council’s Internal Audit Service is highly regarded by the Council’s members and senior management team and has been instrumental in recent years of achieving cash savings in excess of £1.6m for the Authority. The overall work performed by the Service is to a high standard, methodical and follows their audit processes and procedures”.

6.8 Furthermore, the Internal Audit team have been shortlisted for CIPFA’s Public Finance Award 2019, in the Internal Audit Team of the Year. This further confirms the quality of the work undertaken by Internal Audit.

6.9 Compliance with the Council’s Local Code of Corporate Governance is reviewed by Internal Audit on an annual basis. In 2018-19 a review was completed of the Council’s and officer governance team headed by the Deputy Chief Executive (Finance and Legal) and including the Internal Audit Manager. The team will meet to review the status, highlight progress and identify any further improvements.

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

## 7. 2018-19 Governance Issues

7.1 There have been no significant governance issues identified in 2018-19. The issues highlighted below are areas where the Council can improve upon:

Issue	Action to be taken
Procurement.	The Council will: <ul style="list-style-type: none"> <li>- Review and refresh procurement guidance;</li> <li>- Consolidate all guidance into one, user friendly document;</li> <li>- Consider how Integra and Orchard can interface with each other; and</li> <li>- Ensure that departmental risk registers include procurement risk.</li> </ul>
Risk management, assurance mapping and the Local Code of Corporate Governance.	The Council will ensure: <ul style="list-style-type: none"> <li>- Ensure risks are linked to the Corporate Plan;</li> <li>- Ensure risk mitigations are tested where</li> </ul>

# Annual Governance Statement

	<p>practicable;</p> <ul style="list-style-type: none"> <li>- There is a formal plan to review and gauge compliance to the Local Code of Corporate Governance;</li> <li>- Budgetary control processes include a risk identification process; and</li> <li>- That the Council has an up-to-date and comprehensive risk management strategy.</li> </ul> <p>The Council has established a Senior Principal Officer level task and finish group to undertake the above work. This work will help identify and close any gaps in compliance with controls. This will improve the governance environment.</p>
Leaseholders	<p>The Council will ensure:</p> <ul style="list-style-type: none"> <li>- There is sufficient resourcing available for the Leasholding Management Officer; and</li> <li>- That the recovery of aged debt is improved.</li> </ul>
Cyber Security	<p>The Council will ensure:</p> <ul style="list-style-type: none"> <li>- Cyber security risks are identified and understood through analysis and training;</li> <li>- That a cyber security policy is further developed and implemented; and</li> <li>- That risks are eliminated or mitigated.</li> </ul>

7.2 The Council has robust anti-fraud measures in place which comply with Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA 2014). This includes:

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

7.3 One area of the Council's anti-fraud work that has been strengthened is the use of data analytics. The external assessment of Internal Audit undertaken by CIPFA had recommended this as an area for improvement.

# Annual Governance Statement

- 7.4 To address this issue, Internal Audit have procured and received training in the use of Interactive Data Extraction and Analysis (IDEA) software. This is a Computer Assisted Audit Tool (CAAT) which enables very large amounts of data to be analysed for validity, indications of fraudulent activity, duplicate or erroneous payments or income which the Council has not received.
- 7.5 This software will enable Internal Audit to undertake checks of a greater quantity of data than was previously possible.
- 7.6 The Council, as with others in the public sector, continues to face challenges in managing its finances through the next few years, given the continued likelihood of reductions in funding and the need to make savings. The Council's track record in this respect is good. Work is underway to meet these challenges. Further detail on this is included in the narrative section of the Statutory Accounts.
- 7.7 We will monitor the improvements and their operation as part of our next annual review. Subject to the above issues being addressed, we can provide an overall Substantial Assurance that St. Albans District Council's governance arrangements remain fit for purpose.
- 7.8 We will continue to review and adapt our governance processes so that they continue to support the Council in fulfilling its purpose, and ensure that the framework remains proportionate to the risks that are faced.

Signed:



Leader of the Council



Amanda Foley  
Chief Executive

# Independent Auditor's Report

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

### Opinion on the financial statements

We have audited the financial statements of St Albans City and District Council ("the Council") for the year ended 31 March 2019 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and notes to the financial statements including a summary of significant accounting policies. 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 2018/19.

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 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion on the financial statements

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice issued by the National Audit Office in April 2015 ("Code of Audit Practice") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Deputy Chief Executive (Finance and Legal) use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Deputy Chief Executive (Finance and Legal) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

# Independent Auditor's Report

## Other information

The Deputy Chief Executive (Finance and Legal) is responsible for the other information. The other information comprises the Narrative report together with all other information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts is consistent with the financial statements.

## Conclusion on use of resources

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in November 2017, we are satisfied that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

## Basis for conclusion on use of resources

We have undertaken our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion, published by the National Audit Office in November 2017, as to whether in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The National Audit Office has determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

# Independent Auditor's Report

Based on our risk assessment, we undertook such work as we considered necessary. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following other matters which the Code of Audit Practice requires us to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement is misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit;
- we designate under section 24 of the Local Audit and Accountability Act 2014 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

## Responsibilities of the Deputy Chief Executive (Finance and Legal) and the Council

As explained more fully in the Statement of the Deputy Chief Executive (Finance and Legal) Responsibilities, the Deputy Chief Executive (Finance and Legal) is responsible for the preparation of the Statement of Accounts, which comprises the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view.

In preparing the financial statements, the Deputy Chief Executive (Finance and Legal) is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council intends to cease operations or has no realistic alternative but to do so.

The Council 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.

## Auditor's responsibilities for the audit of the financial statements

In respect of our audit of the financial statements our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that

# Independent Auditor's Report

an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## Auditor's responsibilities in respect of the Council's use of resources

We are required under Section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criterion specified by the National Audit Office.

We report if significant matters have come to our attention which prevent us from concluding that the Council 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 Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## Certificate of completion of the audit

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 Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

## Use of our report

This report is made solely to the members of St Albans City and District Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Aphrodite Lefevre  
For and on behalf of BDO LLP, Appointed Auditor  
Norwich, UK

31 July 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# GLOSSARY OF TERMS

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

## **Accounting Policies**

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

## **Accounting Period**

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

## **Accounts**

Statements setting out records of income and expenditure.

## **Accrual**

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

## **Actual Expenditure and Income**

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

## **Actuarial Gains and Losses**

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

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

## **Asset**

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

## **Budget**

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

## **Business Rates**

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

# GLOSSARY OF TERMS

## **Capital Expenditure**

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

## **CFR – Capital Financing Requirement**

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

## **Capital Receipts**

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

## **Cash Equivalent**

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

## **Central Services Charges (Support Services)**

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

## **CIPFA**

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

## **Code**

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

## **Contingency**

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

# GLOSSARY OF TERMS

## **Collection Fund**

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

## **Collection Fund Adjustment Account**

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

## **Community Assets**

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

## **Council Tax**

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

## **Counter Party Lists and Limits**

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

## **Creditor**

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

## **Debtor**

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

## **Depreciation**

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

## **Exceptional Items**

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

## **Expenditure**

Amounts paid for goods and services received.

# GLOSSARY OF TERMS

## **External Auditors**

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

## **Fees and Charges**

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

## **Final Accounts**

Accounts prepared relating to an accounting period.

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

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

## **Financial Regulations**

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

## **FRS – Financing Reporting Standard**

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

## **General Fund**

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

## **Going Concern**

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

## **Government Grants**

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

## **Gross (Expenditure/Income)**

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

# GLOSSARY OF TERMS

## **Housing Benefits**

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

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

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

## **IFRS – International Financial Reporting Standards**

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

## **Impairment**

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

## **Income**

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

## **Infrastructure Assets**

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

## **Inventories**

Comprise the following categories

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

## **Investments**

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

# GLOSSARY OF TERMS

## **Liabilities**

Amounts owed by the Council for goods or services received.

## **Liquid Resources**

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

## **Local Authority Business Growth Initiative (LABGI)**

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

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

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

## **Net (Expenditure/Income)**

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

## **Non-Current Assets**

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

## **Operational Assets**

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

## **Outturn**

Actual expenditure and income for the whole financial year.

## **Performance Plan**

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

## **Post Balance Sheet Events**

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

# GLOSSARY OF TERMS

## **Precepts**

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

## **Provisions**

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

## **Public Works Loan Board (PWLB)**

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

## **REFCUS – Revenue Expenditure Funded from Capital Under Statute**

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

## **Related Party Transactions**

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

## **Rent Allowances**

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

## **Rent Rebates**

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

## **Reserve**

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

# GLOSSARY OF TERMS

## **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 or other bodies towards the cost of a specific service. The grant is only received if the money is spent on the services specified.

## **Total Cost**

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

## **Trading Account**

A statement detailing expenditure and income for a discrete activity.

## **Variance**

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